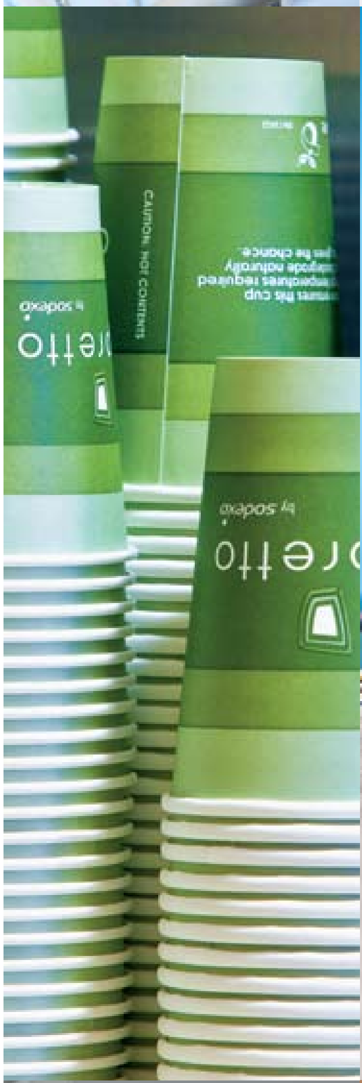



EVERYDAY ESSENTIALS **EVERYWHERE**

BUNZL

Annual Report 2010


BUNZL

WE ARE A GROWING AND SUCCESSFUL GROUP WITH OPERATIONS ACROSS THE AMERICAS, EUROPE AND AUSTRALASIA.

We supply a variety of products that are everyday essentials for our customers to operate their businesses.

By outsourcing the purchasing, consolidation and distribution of a broad range of everyday items, our customers are able to focus on their core businesses, achieve purchasing efficiencies and savings, free up working capital, improve distribution capabilities and simplify their internal administration.

CONTENTS

OUR MARKETS

We provide a 'one stop shop' distribution and outsourcing service supplying a broad range of internationally sourced non-food products to a variety of market sectors.

FINANCIAL HIGHLIGHTS

+4%
Revenue

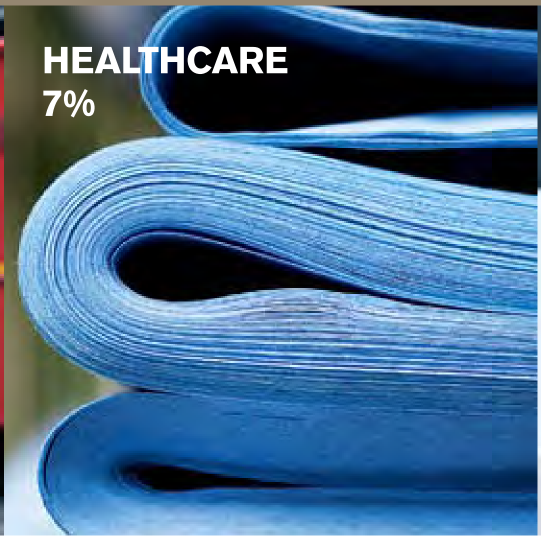
+4%
Operating profit*

+8%
Adjusted earnings per share*

+8%
Dividend per share

	2010	2009	Growth Actual exchange rates	 Constant exchange rates
Revenue £m	**4,829.6**	4,648.7	4%	3%
Operating profit £m	**255.7**	253.9	1%	(1)%
Operating profit* £m	**306.7**	295.7	4%	3%
Profit before tax £m	**225.2**	216.0	4%	3%
Profit before tax* £m	**276.2**	257.8	7%	6%
Basic earnings per share p	**49.1**	46.4	6%	4%
Adjusted earnings per share* p	**60.6**	55.9	8%	7%
Dividend per share p	**23.35**	21.55	8%	

*Before intangible amortisation and acquisition related costs



OUR BUSINESS

WE HAVE FACILITIES IN 23 COUNTRIES ACROSS FOUR BUSINESS AREAS: NORTH AMERICA, UK & IRELAND, CONTINENTAL EUROPE AND REST OF THE WORLD.

NORTH AMERICA

50%

of Group operating profit*

£160.2m

Operating profit*

OUR MANAGEMENT TEAM

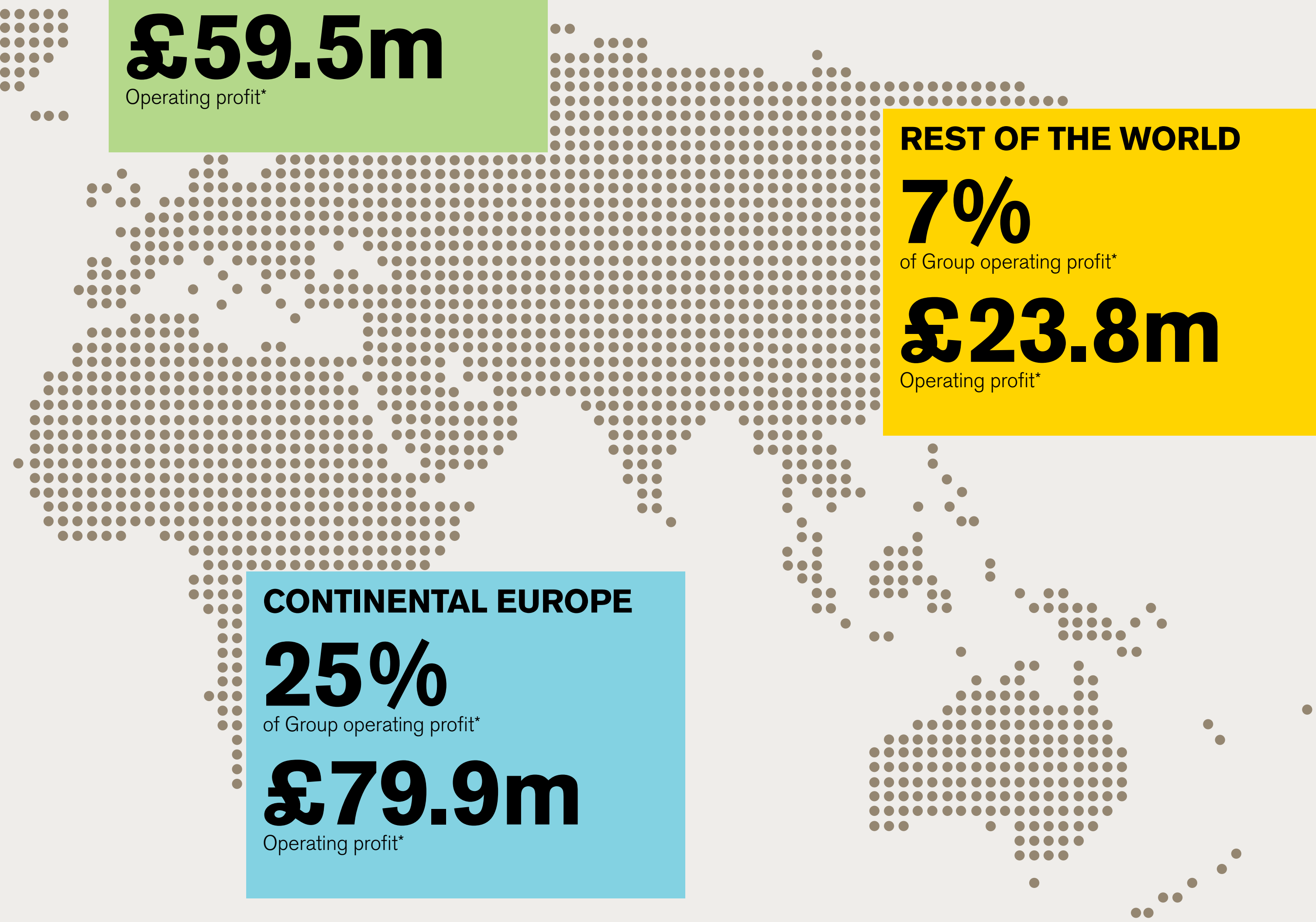
Managers from across the Group meet to review performance, discuss trends affecting our businesses and seek further opportunities for growth and competitive advantage.

MICHAEL RONEY
Chief Executive

CELIA BAXTER
Director of Group Human Resources

PAUL BUDGE
Managing Director UK & Ireland

PAT LARMON
President and CEO North America



UK & IRELAND

18%

of Group operating profit*

£59.5m

Operating profit*

REST OF THE WORLD

7%

of Group operating profit*

£23.8m

Operating profit*

CONTINENTAL EUROPE

25%

of Group operating profit*

£79.9m

Operating profit*

*Before intangible amortisation and acquisition related and corporate costs

BRIAN MAY
Finance Director

FRANK VAN ZANTEN
Managing Director
Continental Europe

PAUL HUSSEY
General Counsel and
Company Secretary

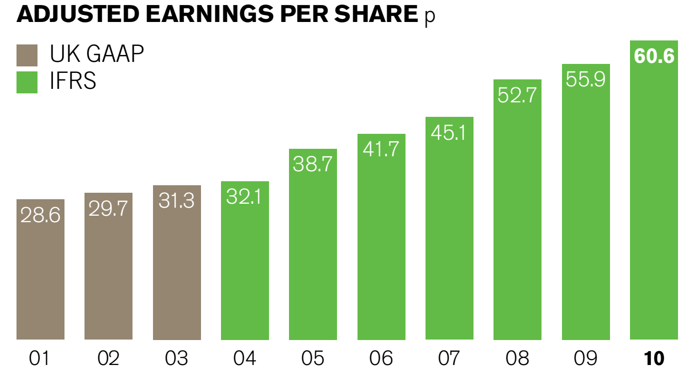
NANCY LESTER
Director of Corporate
Development

KIM HETHERINGTON
Managing Director
Australasia

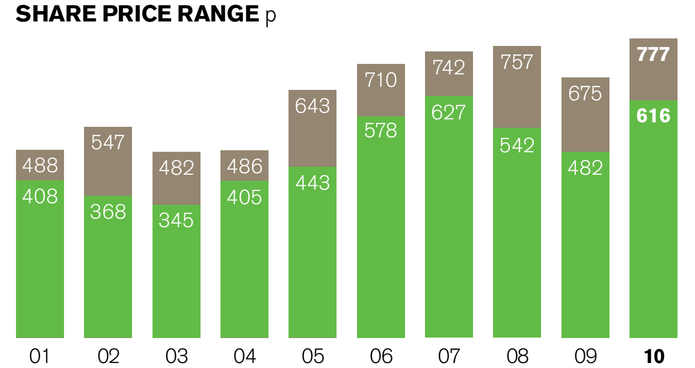
CHAIRMAN'S STATEMENT

OUR SUCCESS IS BASED ON UNDERSTANDING CUSTOMERS' REQUIREMENTS AND OUR ABILITY TO DELIVER EVERYDAY ESSENTIALS **EVERYWHERE**

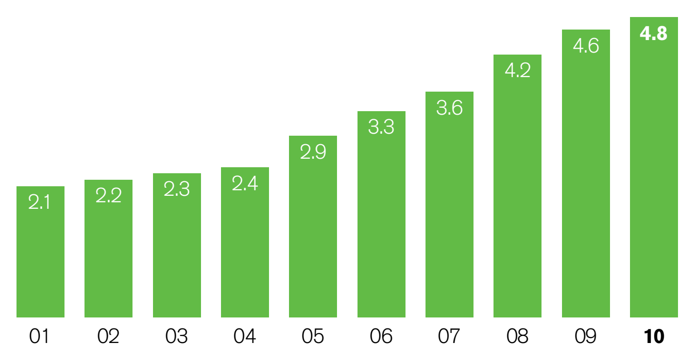
ADJUSTED EARNINGS PER SHARE p



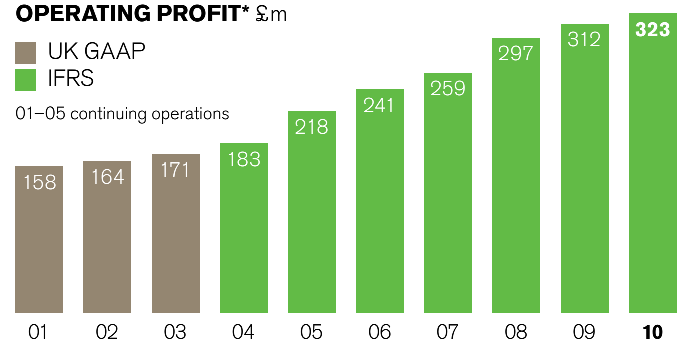
SHARE PRICE RANGE p



REVENUE £bn



OPERATING PROFIT* £m



*Before amortisation and acquisition related and corporate costs

Against the backdrop of continuing economic uncertainty across the international markets in which we operate, I am pleased to report that the Group has produced another good set of results driven both organically and by acquisition, announcing nine acquisitions during the year.

Group revenue increased 4% to £4,829.6 million and operating profit before intangible amortisation and acquisition related costs also rose 4% to £306.7 million. Basic earnings per share were 49.1p, an increase of 6%, and adjusted earnings per share, after eliminating intangible amortisation and acquisition related costs, were up 8% to 60.6p. Currency translation movements increased Group growth rates by approximately 1%.

Dividend
The Board is recommending a 9% increase in the final dividend to 16.2p. This brings the total dividend for the year to 23.35p, an 8% increase. This year we have decided to reintroduce the dividend reinvestment plan to replace the existing scrip dividend alternative. Further information will be included with my letter to shareholders relating to the forthcoming Annual General Meeting.

Strategy
We continue to pursue our well defined strategy of developing the business through organic growth and targeted acquisitions in both existing and new geographies, while continuously improving the efficiency of our operations.

Our organic growth is achieved by applying our resources and expertise to enable customers, by outsourcing to Bunzl, to reduce or eliminate the hidden costs of sourcing and distributing numerous goods not for resale, thereby allowing them to focus on their core business more cost effectively and with lower working capital.

In 2010 we saw a resumption of acquisition activity that took us further into some of our key markets in the US, Denmark, Benelux, Spain and Brazil while substantially increasing the size of our business in Switzerland and extending our operations into Israel.

Increasingly coordinating our procurement internationally and continually refining and deepening our commitment to our customers and markets, while looking to extend our business into new geographies, remain important elements of our strategy. Having pursued this strategy consistently over many years, we have built leading positions in a variety of market sectors across the Americas, Europe and Australasia.

Investment
We have over time steadily invested to support our growth strategy, thereby enhancing the infrastructure of the Group. We are continuously improving and upgrading our IT systems and warehouse facilities as we integrate new businesses into the Group, in addition to increasing our functionality and efficiency in order to improve customer service. By doing so we retain the competitive advantage which helps us maintain our leadership in the market place.

Corporate responsibility
As a responsible company, we realise that Bunzl is only sustainable if we maintain profitability through business practices which positively impact stakeholders, whether customers, employees or suppliers. Much has changed in the area of Corporate Social Responsibility ('CSR') since we first developed our policies in 2004. During 2010 we reviewed our approach to CSR issues, seeking input from both consultants and shareholders. We confirmed that our management practices relating to business conduct, employees and health and safety, environment and community matters, as well as our approach to our customers and suppliers, remained appropriate. Business integrity together with committed, well trained employees working in a safe environment with an emphasis on reducing our environmental impact, contributing to the communities in which we operate, encouraging our suppliers to adopt a similar ethos to us and helping our customers to meet their CSR goals, particularly those relating to sustainability, are all intrinsic to our everyday business. We have therefore decided to adopt the term Corporate Responsibility going forward rather than CSR to reflect that these policies are part of the way Bunzl operates. We have also modified our policies to make them more concise, clearer and better tailored to Bunzl's specific challenges.

Employees
Many companies comment that their employees are their biggest asset but, as Bunzl is not capital intensive, this is particularly true for us. During 2010 our people have continued to show their commitment and dedication to serve our customers. We have had numerous examples of our employees battling against adverse weather conditions in various parts of the world to get into work and maintain customer service and deliveries. Their efforts and dedication are, as always, greatly appreciated.

Credit facilities
The Group remains highly cash generative and we continue to have access to diverse sources of funding to achieve our strategic objectives. In 2010 our net cash inflow was £10 million despite cash expenditure of £111 million on acquisitions and we agreed to raise a further £95 million (sterling equivalent) from the US private placement market, with maturities ranging from seven to 12 years, of which £20 million was drawn in December 2010 with the balance due to be drawn in April 2011. We also renewed some £164 million of our banking facilities during the year. Our undrawn committed facilities' headroom at the end of the year was £557 million.

Board
Jeff Harris retired from the Board on 28 February 2010. A non-executive director for more than nine years, during his time with us Jeff served as Chairman of the Audit Committee, Senior Independent Director and, most recently, as Interim Chairman following Anthony Habgood's retirement in 2009. We thank Jeff for his guidance and wise counsel over many years. I was appointed to the Board as Chairman designate on 1 January 2010 and became Chairman on 1 March 2010 and Peter Johnson, who has been a non-executive director since January 2006, was appointed as Senior Independent Director in April 2010.

Charles Banks, who has served as a non-executive director for almost nine years, latterly as Chairman of the Remuneration Committee, will be retiring after our Annual General Meeting in April. His independent advice and significant contribution to our success have been greatly appreciated and he leaves the Board with our thanks and best wishes. We are currently undertaking a search for a new non-executive director and will make a further announcement in due course.

Philip Rogerson

Philip Rogerson
Chairman
28 February 2011

CHIEF EXECUTIVE'S REVIEW

WE HAVE DELIVERED ANOTHER GOOD SET OF RESULTS DESPITE CONTINUING CHALLENGING ECONOMIC CONDITIONS

Michael Roney
Chief Executive

Operating performance
Revenue and operating profit before intangible amortisation and acquisition related costs each increased 4% to £4,829.6 million and £306.7 million respectively. The overall impact from currency translation was slightly positive with both growth rates 3% at constant exchange. Excluding the impact from acquisitions and the previously announced sales of products related to H1N1 prevention in 2009, underlying revenue growth at constant exchange rates was 2%. The strong cash flow of the Group continued as we converted 93% of our operating profit into cash. In this review all references to operating profit are to operating profit before intangible amortisation and acquisition related costs.

In North America revenue and operating profit rose by 7% (4% at constant exchange rates) and 3% (1% at constant exchange rates) respectively due to strong organic revenue growth, principally as a result of increased volumes to existing customers, with profit growth held back by some mix driven margin pressure. Although UK & Ireland saw a decline in revenue of 6% (5% at constant exchange rates) due to the persisting difficult economic conditions and weakness in some businesses, especially Ireland, Vending and Healthcare, operating profit rose 3% as operating margins increased significantly due to the positive impact of earlier cost reduction initiatives and the absence of a negative transaction impact from foreign exchange which adversely affected the results in 2009. In Continental Europe revenue grew by 3% (7% at constant exchange rates) as a result of the impact from acquisitions made during 2010, while operating profit decreased 2% (up 2% at constant exchange rates) due to the positive impact from acquisitions being offset by the lower contribution from reduced sales volumes in France which were partly held back following exceptional sales of products related to H1N1 prevention during 2009. The Rest of the World showed growth of 23% in revenue (4% at constant exchange rates) and 40% in operating profit (19% at constant exchange rates) principally due to strong organic growth in Brazil and a significant operating margin improvement in Australasia.

Basic earnings per share were 49.1p, up 6% (4% at constant exchange rates). Adjusted earnings per share, after eliminating the effect of intangible amortisation and acquisition related costs, were 60.6p, an increase of 8% (7% at constant exchange rates). Return on average operating capital continued at a consistently high level of 54.4%, similar to the return in 2009.

Our operating cash flow continued to be strong. Despite an acquisition cash outflow of £111 million and net capital expenditure of £22 million, our year end net debt of £716.8 million was at the same level as the end of 2009. Our net debt to EBITDA ratio improved to 2.1 times compared to 2.2 times at the previous year end.

During 2010 we continued to focus on the sustainability of our operations to minimise our impact on climate change, as well as offering environmentally friendly products and consolidated deliveries of consumables for our customers to reduce their own impact. Although we have been measuring the carbon emissions of our operations for a number of years, reporting our performance through the Carbon Disclosure Project, we have decided this year to add our carbon emissions as a key performance indicator. I am also pleased to report that for 2011 we have for the first time set quantitative targets at the Group level to continue to improve our health, safety and environmental performance.

The business area operations, including the relevant growth rates, are reviewed below at constant exchange rates to remove the translation impact of foreign currency movements between 2010 and the previous year. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for 2009 at the average exchange rates for 2010.

Acquisitions
Acquisition activity picked up significantly in 2010 after a much quieter year in 2009. During the year we announced nine acquisitions and invested £126 million. In particular, we entered Israel for the first time, significantly increased our presence in Switzerland as we entered three new market sectors and made our second step into the promising Brazilian market.

In January we acquired Clean Care which is principally engaged in the supply of cleaning and hygiene consumable products and equipment to a variety of end users including contract cleaners and other industrial and institutional customers throughout Denmark. Revenue in the year ended 30 September 2009 was DKK60 million. In February we expanded further into Denmark with the purchase of Hamo, a supplier of catering disposables and light catering equipment to a variety of end users in both the public and private sectors. Revenue in 2009 was DKK43 million. Both these businesses are excellent additions to our existing cleaning and hygiene and catering supplies businesses in Denmark and have extended our customer base and product offering there.

During March we significantly increased the size of our operations in Switzerland. The acquisition of Weita, a business based near Basel with revenue in 2009 of CHF71 million, expanded our business into the cleaning and safety, foodservice and healthcare consumables sectors for the first time and also increased the size of our existing retail supplies business.

In April we announced our first step into Israel when we purchased Silco, a supplier of foodservice disposables to a number of different sectors throughout the country, including restaurants, caterers and redistributors. Revenue in 2009 was ILS64 million. The business has a market leading position and a strong customer base and will provide the opportunity to develop further in the Israeli market.

Juba, which we acquired in May and had revenue in 2009 of €22 million, is a leading supplier of personal protection equipment, principally protective gloves and other workwear, to redistributors throughout Spain. It has expanded our personal protection equipment business in Spain and has strengthened our position in this market which we entered in 2008 with the acquisition of Marca.

In July we announced the acquisition of Global Net based in Belgium with revenue in 2009 of €20 million. It is principally engaged in the sale of cleaning and hygiene consumables and equipment throughout the Walloon region of Belgium to contract cleaners, local authorities and other industrial and institutional customers. As our existing business in Belgium is focused on the Flanders region, Global Net has extended our geographic coverage across the whole of the country.

In August we announced two further acquisitions. Cool-Pak, which had revenue of $51 million in 2009, is an exciting development for us as it has increased our presence in a specialist area of the food processor market in the US. The acquisition of A.M. Supply in Brazil has expanded our existing personal protection equipment business in Brazil and extended our product offering into the developing oil and petrochemical sectors there. Revenue in 2009 was R$7 million.

In October we took a further step to develop our successful business in Benelux with the acquisition of Van't Veer Verpakkingen which had revenue of €9 million in 2009. The company is based in the Netherlands and is principally engaged in the sale of cleaning and hygiene and catering disposable products predominantly to the healthcare sector.

Prospects
Even though the outlook for economic growth remains uncertain, we believe that the opportunities for further development of the Group across our international markets are promising. In North America we anticipate good underlying revenue growth, albeit lower than the relatively high level of 2010, and margins should be stable. In the UK & Ireland, in spite of the continuing difficult economic conditions, especially in Ireland and in those businesses selling to the public sector, we expect an improved performance. Continental Europe should see better underlying revenue growth and the full year impact of acquisitions made in 2010 will enhance the overall results. The Rest of the World should also benefit from good underlying revenue growth and continued strong performance.

Acquisition growth is a key element of our strategy and we saw an improved environment for acquisitions in 2010. The pipeline remains promising as we continue our discussions with a number of potential targets.

Although there are a number of uncertainties in the economies of the markets where we compete, the Board believes that our market leading positions and our strong cash flow and balance sheet should enable the Group to grow further.

Michael Roney
Chief Executive
28 February 2011

ORGANIC REVENUE GROWTH %

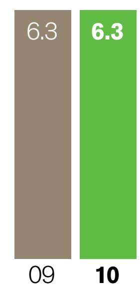
Increase in revenue for the year excluding the impact of currency and current year acquisitions but including a pro rata part year in respect of prior year acquisitions. Sales of H1N1 prevention products in 2009 reduced the underlying organic revenue growth in 2010 by 1.0% from 1.8%.

PROFIT MARGIN %

Ratio of operating profit before intangible amortisation and acquisition related costs to revenue.

PROFIT MARGIN EXCLUDING CURRENCY AND ACQUISITIONS %

Profit margin excluding the impact of currency and current year acquisitions but including a pro rata part year in respect of prior year acquisitions.

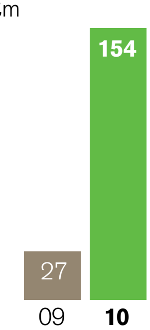


ACQUISITION SPEND £m

Consideration paid and payable, together with net debt assumed, in respect of businesses acquired during the year.

ANNUALISED REVENUE FROM ACQUISITIONS £m

Estimated revenue which would have been contributed by acquisitions made during the year if such acquisitions had been completed at the beginning of the relevant year.



OUR 'ONE STOP SHOP' SERVICE TO LARGE GROCERY RETAIL CUSTOMERS HELPS THEM SIMPLIFY THE EVERYDAY RUNNING OF THEIR BUSINESSES

THE FRESH MARKET

EVERYDAY ESSENTIALS:

> UNIFORMS
> RUBBER BANDS
> PAPER CUPS
> COFFEE BAGS
> LABELS
> NAPKINS
> POLYETHYLENE BAGS
> BAG TIES
> PLASTIC FRUIT CONTAINERS
> VINYL GLOVES
> PAPER BAGS
> DELI CONTAINERS
> SANDWICH WRAP
> CLEANING PRODUCTS

NORTH AMERICA

In North America revenue increased by 4% at constant exchange rates to £2,621.0 million primarily due to further sales growth with current accounts but also as a result of some new business wins. Mix driven impact, principally arising from the revenue growth with existing customers, placed pressure on our margins, resulting in a 1% increase in operating profit to £160.2 million.

In our largest business sector, grocery, we improved our market leading position by retaining and expanding business with our current customer base through our primary programmes; direct store delivery, cross dock and warehouse replenishment. We also won additional business from our regional competition as we continued to promote our menu of services in the market place.

Despite market softness and the uncertain economy continuing to exert pressure on the foodservice industry during the year, our redistribution business experienced growth as we expanded our relationships with our larger customers and positioned ourselves well with major buying groups. As an integral part of our 'one stop shop' concept for our customers, our import and private label programmes gained momentum as we expanded our product offering with custom packaging and product enhancements. In addition we invested in warehouse systems and equipment to improve our small order quantity pick and pack operational efficiencies.

Our food processor business services a broad range of customers from fresh cut produce processors, bakeries and specialty processors to a variety of protein processors that supply the grocery and foodservice industries. We experienced growth in this sector due to consumers' continued demand for lower cost and take home solutions that are more economical than eating out. In order to expand our programmes and sales with our current customers and win new business, we have broadened the array of personal protection equipment and maintenance, repair and operations (MRO) parts and packaging products that we provide our customers through our value added outsourcing solutions. We also extended our presence in the market through our acquisition of Cool-Pak which supplies stock and custom designed pulp and plastic containers to fruit and vegetable growers, shippers, repackers and other food suppliers. Cool-Pak also offers inventory management, just-in-time delivery, labelling and traceability solutions to its customers. In support of our expansion into this sector, we entered into an exclusive agreement with TRUETRAC™ to distribute LabelTrac™, a portable labelling system that takes case level traceability out to the grower's field.

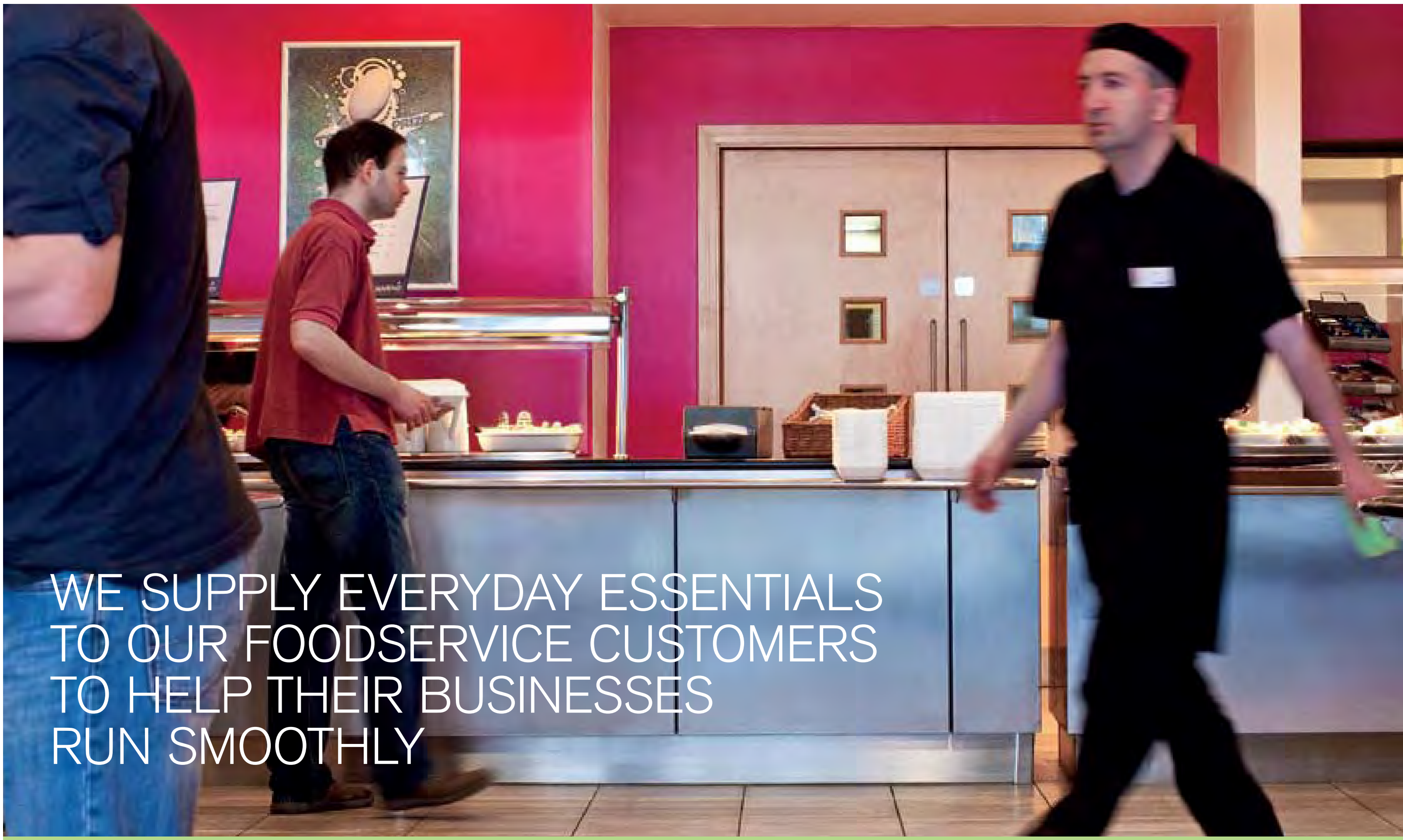
Our non-food retail business continued to grow organically by winning a major account in Canada and gaining incremental business with retailers having existing relationships with us. We also continued to benefit from a trend among retailers to utilise our expertise in their sourcing activities. As such, we were able to promote products and ideas that helped them meet their specific needs and attain their green initiatives through the supply of environmentally friendly products.

Our convenience store business experienced growth as consumers' spending increased as the year progressed. Outlets in this sector still face the significant challenges of an uncertain economy, increasingly stiff competition from cross channel rivals and rising fuel prices. We continued to take steps to grow our sales in this sector by increasing the breadth of products we offer, including imported product alternatives, and by expanding our customer base.

Our strategic sourcing initiatives included expanding our preferred supplier relationships into all channels of distribution and redistribution, utilising our purchasing strength and scale to increase our profitability. We also expanded our private label product offering, incorporating continued product segmentation and upgrades, to provide our customers with more choices to meet a wide variety of needs. Additionally, we continued to monitor green issues and have relevant products sourced which meet all environmental needs, including those which are biodegradable, recyclable and compostable. Our new private label line for environmentally friendly products, Green Source, has been very successful.

During the year we reduced our operating costs as a percentage of sales despite some operating expense categories, such as healthcare, fuel costs and freight rates, increasing. We continue to offset these escalating costs through increased productivity and by fine tuning our operational platform and consolidating stand alone facilities in select markets in order to optimise operating costs while maintaining our high level of customer service.

Although the strength of the economic recovery remains uncertain, our consistent year on year revenue growth in North America in difficult macroeconomic conditions demonstrates the resilience and strength of our value added proposition to our customers. Our strong financial position, single IT system and extensive coast to coast operating platform continues to address the needs of our customers and we remain well positioned not only to meet our existing customers' demands but also to take advantage of new business opportunities that arise within the markets we serve.



WE SUPPLY EVERYDAY ESSENTIALS TO OUR FOODSERVICE CUSTOMERS TO HELP THEIR BUSINESSES RUN SMOOTHLY

UK & IRELAND

After a very challenging year in 2009, our UK & Ireland business area has improved its performance in 2010. Persisting difficult economic conditions continued to put pressure on sales, resulting in a 5% decrease in revenue at constant exchange rates to £1,007.1 million. However a reduction in costs has contributed to an improvement in operating margin with operating profit up 3% at constant exchange rates to £59.5 million.

All businesses have closely scrutinised their resource levels and business processes. This has led to a further reduction in the number of people employed and the closure of some of our warehouses to optimise the branch network of our various businesses.

We have also analysed the ranges and products that we sell and have rationalised product portfolios to suit the needs of our customers better. This has resulted in fewer stock keeping units (SKUs) which has enabled us to build stronger relations with suppliers, improve product availability and also further develop our own brands and importing activity from Asia.

Within the hospitality sector, the market for catering disposables has continued to be very competitive whilst the demand for more durable catering equipment has been relatively strong. We are actively developing our own brand programme of catering disposables and have reduced the operating platform by two branches. W.K. Thomas, which we acquired in 2009, has integrated well into our existing business. In vending, although the business has continued to operate in a very competitive and demanding environment, the implementation of a new IT system has been completed and we now have the appropriate tools to optimise operating efficiencies, giving us the platform to grow this business going forward.

Our food and non-food retail business, whilst operating under continuous competitive pressure, has been resilient. We have made a number of operational improvements, including streamlining working processes and completing the installation of a sophisticated warehouse management system, which have allowed us to improve our performance and our service to our customers. Assisted by a number of non-food retail customer wins, we believe that we are well positioned from a competitive standpoint and that this business should continue to develop well.

Within cleaning and safety, our business that supplies cleaning and hygiene products had a good year against the backdrop of a difficult economy. Six of the branches have been consolidated into four facilities and the reduced operating platform and cost base have helped us to continue to be competitive and secure ongoing business with a number of our key facilities management customers. Industrial Supplies, the acquisition we made in 2009, has been completely integrated and is performing well. Our safety supplies business has continued to find the markets it serves in construction, industry and the public sector to be under pressure which has in turn affected volumes. We have reacted accordingly by further developing our procurement and product category management activities and consolidating the cost base.

The healthcare business has seen a reduction in volumes with challenging trading conditions and restrictions on spending imposed by some customers as their purchasing budgets have been reduced, both affecting demand. This was exacerbated by the non-repeat of orders related to the outbreak of the H1N1 virus in 2009. We have reduced the number of operating locations by two and have further invested in our own brand range of disposable gloves which should help to regain business and improve our competitiveness in the coming year.

In Ireland the economy has continued to be extremely difficult. The convenience retail market and hotel sector in particular suffered downturns and, even though we have maintained gross margins, it was necessary to implement further reductions in our cost base to realign the business with the reduced levels of activity.


Sodexo's everyday essentials:
> Coffee cups
> Sugar sachets
> Paper plates
> Sterilising handwash
> Napkins
> Bag ties
> Paper bags
> Aluminum foil
> Cutlery
> Gloves
> Mops & buckets
> Jugs
> Food trays
> Floor signs
sodexo
ECOLAB
aspretto

CONTINENTAL EUROPE

Revenue rose 7% at constant exchange rates to £936.4 million and operating profit rose 2% to £79.9 million. The impact of the absence of the significant sales of H1N1 prevention products made in 2009 and gross margin pressure as customers continued to focus on cost reductions was offset by continued tight cost control, increased levels of imports and the benefit of acquisitions and the resulting synergies achieved during the year.

In France, our cleaning and hygiene business had a challenging year. The economic environment continued to be difficult with the public sector in particular cutting back spending. Together with the lack of sales of H1N1 prevention products during 2010, this resulted in lower sales although the gross margin percentage was stable. Costs were reduced during the year but the positive impact of these reductions will only be felt fully in the current year. The new ERP system is now fully implemented and will provide further operational efficiencies in the future. Our personal protection equipment business had a successful year with higher sales and profits.

In the Netherlands, sales, grew significantly in our business supplying the food and non-food retail sectors following customer wins and the business servicing the horeca (hotel, restaurant and catering) sector returned to growth after a difficult year in 2009. However, our healthcare business continued to face pressure from spending cuts imposed by our customers. Overall gross margins and costs in the Netherlands continued to be tightly managed such that the operating margin improved. In October we acquired Van't Veer Verpakkingen which operates in the cleaning and hygiene and catering disposable sectors. The business is trading in line with expectations and delivering the anticipated synergy benefits.

In Belgium, sales grew as progress in the retail business offset continuing weakness in the business supplying the cleaning and hygiene sector. Gross margins were under pressure but costs continued to be tightly controlled. In July we acquired Global Net which sells cleaning and hygiene consumables and equipment throughout the Walloon region of Belgium. The acquisition is delivering significant synergies with our existing operations.

In Germany, sales grew strongly in the horeca sector and revenues from guest amenities rose again as the hotel sector recovered. Continued tight cost control could not however fully offset the impact of gross margin pressure.

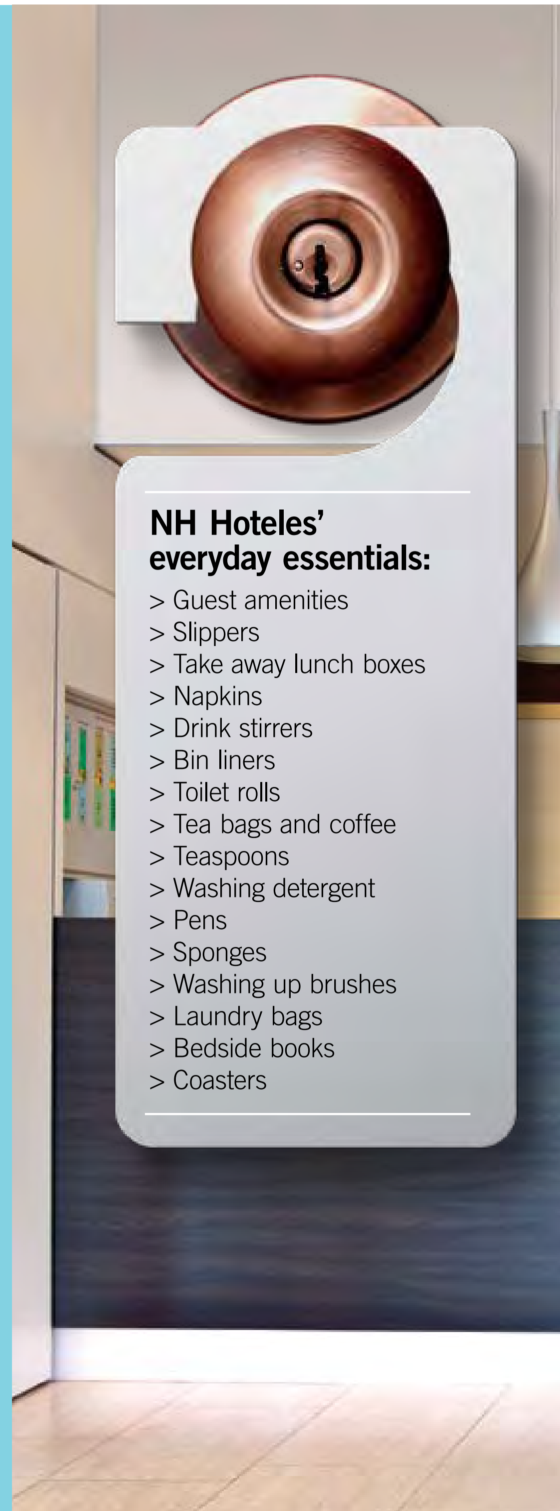
In Switzerland, we acquired in March the Weita business which operates in the cleaning and safety, foodservice, retail and healthcare consumables sectors. It is integrating well into the Group and has delivered profits ahead of our initial expectations.

In Denmark, sales were ahead in our retail business and its operating margin improved due to cost reductions. Our horeca business also delivered good sales growth and increased its operating margin principally due to the full year benefit of its new, more efficient warehouse. Hamo, a supplier of catering disposables and light catering equipment which was acquired in February 2010, has been fully integrated resulting in significant savings. Clean Care, a distributor of cleaning and hygiene consumables and equipment acquired in January 2010, continues to operate from its own warehouse and is also delivering significant commercial synergies with our existing business.

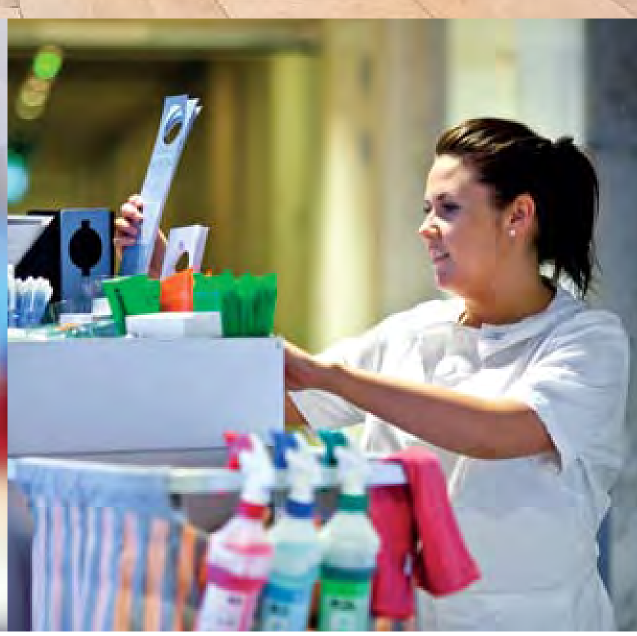
In Spain, our cleaning and hygiene business saw a slight decline in sales in a continuing challenging economy. Gross margins improved and operating costs were reduced, resulting in good growth in operating profit. Our safety business delivered strong sales and profit growth despite ongoing weakness in the construction and industrial sectors which it serves. The acquisition in May of Juba, a specialist in protective gloves, has complemented our existing business and is providing opportunities both in terms of increased sales and improved purchasing.

In central Europe, a return to stronger sales growth and further cost reductions led to a significant increase in profit in our cleaning and hygiene business. Sales declined, however, in the retail business but profit was slightly ahead as a result of the positive impact of cost reduction measures.

In Israel we acquired the foodservice disposables business, Silco, in April as a first step into this new market which has exciting development prospects. It is integrating well into the Group.



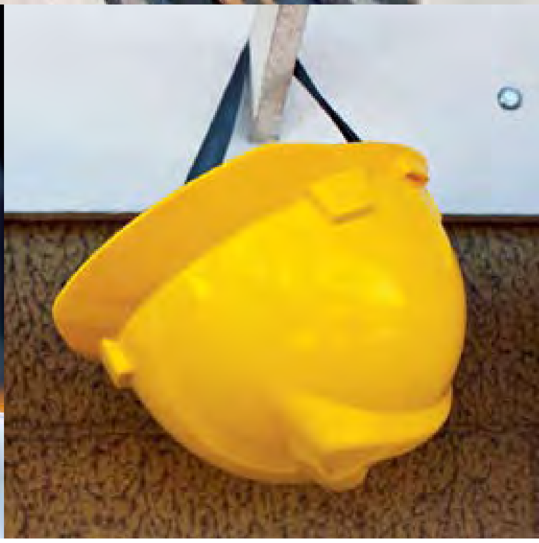
BY PROVIDING A WIDE RANGE OF PRODUCTS FOR HOTELS, INCLUDING CLEANING PRODUCTS AND BESPOKE GUEST AMENITIES, WE CAN ENSURE THEY HAVE EVERYTHING THEY NEED



OUR RANGE OF PERSONAL PROTECTION EQUIPMENT HELPS OUR CUSTOMERS MAINTAIN HIGH STANDARDS OF HEALTH & SAFETY

EVERYDAY ESSENTIALS:

> STEEL TOECAP BOOTS
> LIFE JACKETS
> SAFETY GLASSES
> HARD HATS
> PROTECTIVE GLOVES
> EAR PLUGS
> HARNESSES
> FACE MASKS
> EAR PROTECTORS
> SHIRTS AND TROUSERS



REST OF THE WORLD

In the Rest of the World revenue increased by 4% at constant exchange rates to £265.1 million. Strong underlying growth in Brazil and a substantial improvement in operating margins in Australasia resulted in a 19% improvement in operating profit to £23.8 million.

In Australasia our largest business, Outsourcing Services, performed strongly, benefiting from some solid second half sales gains and good gross margin improvements. We continue to develop a strong position in our key markets, such as healthcare, contract catering and cleaning. In addition we are developing the business in New Zealand by building momentum with regional customers there. As a result of our continued investment in systems, some 45% of all orders in this business are now dealt with electronically.

Our food processor business had another challenging year, feeling the effects of slowdowns in some of our major customers whose own export business contracted due to the stronger Australian dollar, although sales began to recover as the year progressed. The recently completed implementation of the main IT system throughout the business will enable us to benefit from operational improvements in freight and inventory management systems as well as facilitate electronic ordering for customers and suppliers.

Our catering equipment business continued to be affected by the downturn in the hospitality and catering sectors, in particular in New South Wales and North Queensland. The business benefited from some new business wins during the year and ongoing operational and service improvements implemented in 2009. This, combined with lower operating costs, enabled us to deliver results which were again well up on last year's improved performance. Our goal is to expand our branch coverage in this sector to capitalise on national customers in this market sector.

Operationally the business in Australasia has strengthened its position in the region by investing in establishing a consolidation warehouse in China. This will fast track future sourcing initiatives while reducing the costs associated with double handling on freight transfers for all business units in the region.

In Brazil we saw strong growth in both revenue and operating profit as the economy there rebounded from a relatively weak 2009. We expanded further into the markets we serve as the new branches opened during the last two years experienced profitable growth. In August we acquired A.M. Supply which is based in the northern part of the state of Rio de Janeiro and will enable us to benefit from the ongoing significant investments being made in offshore oil and gas exploration and the petrochemical sector.

FINANCIAL REVIEW
ACQUISITION SPEND OF £126 MILLION WILL ADD MORE THAN £150 MILLION OF ANNUALISED REVENUE

Group performance
Revenue and operating profit before intangible amortisation and acquisition related costs increased by 4% to £4,829.6 million and £306.7 million respectively reflecting organic growth, the benefit of acquisitions made in the year and a positive impact from currency translation. Currency translation had a 1% beneficial impact on the results for the year principally due to some strengthening of the US dollar, Australian dollar and Brazilian real largely offset by the weakening of the euro. Operating profit margin before intangible amortisation and acquisition related costs was 6.4%, the same as 2009.

Following the revision of IFRS 3 'Business Combinations' with effect from 1 January 2010, the Group is now required to recognise transaction costs and expenses such as professional fees and adjustments to deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired as expenses in the income statement. These acquisition related costs do not relate to the underlying performance of the entity acquired as they are a non-operational expense and, consistent with the treatment of intangible amortisation, we therefore present additional measures of profit excluding these items which is consistent with our internal measurement of performance.

Intangible amortisation and acquisition related costs of £51.0 million were up £9.2 million, principally due to £7.5 million of transaction costs and expenses and deferred consideration payments which are contingent on the continued employment of former owners of businesses acquired and a £1.7 million increase in intangible amortisation largely due to the charge relating to acquisitions made during 2010.

The net interest charge decreased from £37.9 million in 2009 to £30.5 million in 2010 due to a lower cost of borrowing, a mark to market benefit on cash settled share options, a net financial return relating to pensions and a lower level of average net debt. Interest cover improved to 10.1 times compared to 7.8 times in 2009.

Profit before income tax, intangible amortisation and acquisition related costs was £276.2 million, up 7% on 2009 due to the 4% growth in operating profit before intangible amortisation and acquisition related costs and the benefit from the lower interest charge.

Tax
A tax charge at a rate of 29.0% (2009: 30.5%) has been provided on the profit before tax, intangible amortisation and acquisition related costs. Including the impact of intangible amortisation of £43.5 million, acquisition related costs of £7.5 million and the associated deferred and current tax of £13.9 million, the overall tax rate is 29.4% (2009: 31.1%). The tax rate of 29.0% is higher than the nominal UK rate of 28.0% for 2010 principally because many of the Group's operations are in countries with higher tax rates.

Profit for the year
Profit after tax increased 7% to £159.0 million.

Earnings
The weighted average number of shares increased to 323.7 million from 320.5 million due to shares issued for the scrip dividend and employee option exercises. Earnings per share were 49.1p, up 6% on 2009. After adjusting for intangible amortisation, acquisition related costs and the respective associated tax, earnings per share increased 8% to 60.6p. The intangible amortisation and associated tax are non-cash charges which are not taken into account by management when assessing the underlying performance of the business. Similarly, the acquisition related costs and associated tax do not relate to the underlying performance of the entity acquired as they are a non-operational expense.

Dividends
An analysis of dividends per share for the years to which they relate is shown below:

	2010	2009	Growth
Interim dividend (p)	**7.15**	6.65	8%
Final dividend (p)	**16.20**	14.90	9%
Total dividend (p)	**23.35**	21.55	8%
Dividend cover (times)*	**2.6**	2.6	

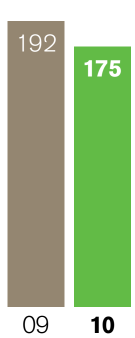
*Based on adjusted earnings per share

Acquisitions
The principal acquisitions made in 2010 were Clean Care, Hamo, Weita, Silco, Juba, Global Net, A.M. Supply, Cool-Pak and Van't Veer Verpakkingen. Annualised revenue and operating profit before intangible amortisation and acquisition related costs of the businesses acquired were £153.6 million and £17.8 million respectively. A summary of the effect of acquisitions is as follows:

	£m
Fair value of assets acquired	70.3
Goodwill	34.5
Consideration	104.8
Satisfied by:	
cash consideration	97.2
deferred consideration	7.6
	104.8
Contingent payments to former owners	9.7
Net bank overdrafts acquired	6.2
Transaction costs and expenses	5.5
Total expected spend in respect of current year acquisitions	**126.2**

FREE CASH FLOW £m

Cash generated from operations less net capital expenditure, interest and tax.



RETURN ON AVERAGE OPERATING CAPITAL %

Ratio of operating profit before intangible amortisation and acquisition related costs to the average of the month end operating capital employed, being tangible fixed assets, inventories and trade and other receivables less trade and other payables.

EXCHANGE RATES

Average	**2010**	2009
US$: £	**1.55**	1.57
€ : £	**1.17**	1.12
A$: £	**1.68**	1.99

Closing		
US$: £	**1.57**	1.61
€ : £	**1.17**	1.13
A$: £	**1.53**	1.80

The net cash outflow in the year in respect of acquisitions comprised:

	£m
Cash consideration	97.2
Net bank overdrafts acquired	6.2
Deferred consideration in respect of prior year aquisitions	1.6
Net cash outflow in respect of acquisitions	105.0
Acquisition related costs	5.6
Total cash outflow in respect of acquisitions	**110.6**

Cash flow

Cash generated from operations was £307.6 million, a £15.2 million decrease from 2009, primarily due to a working capital outflow in 2010 of £12.7 million, compared to a £17.5 million inflow in 2009, partly offset by the increase in profit before tax, intangible amortisation and acquisition related costs of £18.4 million. The working capital movements are partly attributable to a return to organic revenue growth in 2010 compared with a decline in 2009. As a consequence, the Group's free cash flow of £174.6 million was down £16.9 million from 2009. After payment of dividends in respect of 2009, an acquisition cash outflow of £110.6 million and an £11.8 million inflow on employee share schemes, the net cash inflow of £9.7 million was used to reduce net debt. The summary cash flow for the year was as follows:

	£m
Cash generated from operations	307.6
Net capital expenditure	(22.1)
Operating cash flow	285.5
Operating cash flow to operating profit*	**93%**
Net interest	(31.2)
Tax	(79.7)
Free cash flow	**174.6**
Dividends	(66.1)
Acquisitions	(110.6)
Employee share schemes	11.8
Net cash inflow	**9.7**

*Before intangible amortisation and acquisition related costs

Balance sheet

Return on average operating capital employed before intangible amortisation and acquisition related costs of 54.4% was in line with 2009 due to the operating profit margin remaining constant at 6.4% combined with continued strong working capital management. Intangible assets increased by £48.0 million to £1,244.6 million reflecting goodwill and customer relationships arising on acquisitions in the year of £86.0 million and a positive exchange impact of £5.5 million net of an amortisation charge of £43.5 million. At 31 December 2010 the Group's pension deficit was £52.3 million. This represents a £7.5 million decrease compared to 2009, primarily due to cash contributions of £15.2 million partly offset by the service cost of £5.5 million and an actuarial loss of £2.5 million. The actuarial loss results from an increase in the liabilities, principally due to lower discount rates and changes in the mortality assumptions, partly offset by lower inflation rates and an increase in the value of pension scheme assets.

The movements in shareholders' equity and net debt during the year were as follows:

Shareholders' equity	£m
At 1 January 2010	674.1
Profit for the year	159.0
Dividends	(66.1)
Share issuance	16.0
Other	13.4
At 31 December 2010	**796.4**

Net debt	£m
At 1 January 2010	(716.8)
Net cash inflow	9.7
Currency	(9.7)
At 31 December 2010	**(716.8)**
Net debt to EBITDA (times)	**2.1**

Going concern

Based on the expected future profit generation, cash conversion and current facilities' headroom over the 12 months to March 2012, the 2010 financial statements have been prepared on the going concern basis as described further in the Directors' report on page 25.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors the return on average operating capital employed as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders. The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the Group has a portfolio of competitively priced borrowing facilities to meet the demands of the business over time and, in order to do so, the Group arranges a mixture of borrowings from different sources with a variety of maturity dates.

The Group's businesses provide a high and consistent level of cash generation which helps fund future development and growth. The Group seeks to maintain an appropriate balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place.

Hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39 'Financial Instruments: Recognition and Measurement'. Methods for testing effectiveness include dollar offset, critical terms and regression analysis.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with debt covenants is monitored. During 2010 all covenants have been complied with.

FINANCIAL REVIEW continued

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. The committed facilities maturity profile as at 31 December 2010 is set out in the chart below. In addition to these committed facilities, a further issue of fixed interest rate US dollar and sterling bonds was agreed in December 2010 of which £75.2 million (sterling equivalent) is due to be drawn by the Company in April 2011 and is therefore not included in the table. Of this US dollar bond, £42.1 million matures in April 2021 and £33.1 million matures in April 2023.

Interest rate risk
The Group is funded by a mixture of floating and fixed rate debt. In addition, interest rate swaps and interest rate options are used to manage the interest rate risk profile. At 31 December 2010 fixed rate debt of £347.4 million (2009: £322.1 million) related to fixed US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2019.

At 31 December 2010 floating rate debt comprised £245.6 million of floating rate bank loans (2009: £251.3 million) and £214.9 million of fixed rate US dollar bonds which have been swapped to floating rates using interest rate swaps (2009: £210.6 million). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR. The interest rate swaps reprice every three and six months.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £301.0 million were capped at 31 December 2010 (2009: £309.7 million) and borrowings with a notional principal of £nil were collared at 31 December 2010 (2009: £186.3 million).

Foreign currency risk
The principal underlying currencies of the Group's earnings are sterling, US dollars and euros. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. For the year ended 31 December 2010, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before tax by £0.8 million and £0.3 million respectively and profit before tax, intangible amortisation and acquisition related costs by £0.8 million and £0.5 million respectively.

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur, the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases.

The majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros, aligning them to the respective functional currencies of its operating profit before depreciation, intangible amortisation and acquisition related costs ('EBITDA'). This currency profile, which is set out in the chart below as at 31 December 2010, is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

Credit risk
Credit risk is the risk of loss in relation to a financial asset due to non-payment by the counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets.

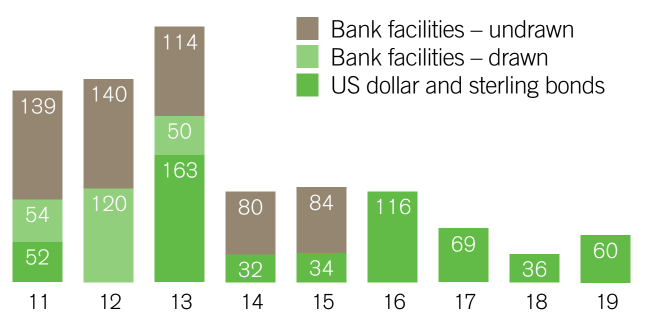
The Group's principal financial assets are cash and deposits, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash and deposits, derivative financial instruments and trade and other receivables is their carrying amount.

Dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

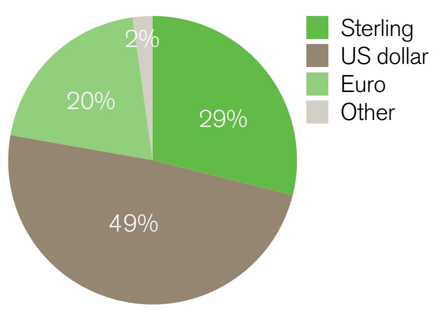
For trade and other receivables, the amounts represented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

At the balance sheet date there were no significant concentrations of credit risk.

COMMITTED FACILITIES MATURITY PROFILE 2011–2019 £m



CURRENCY PROFILE OF NET DEBT

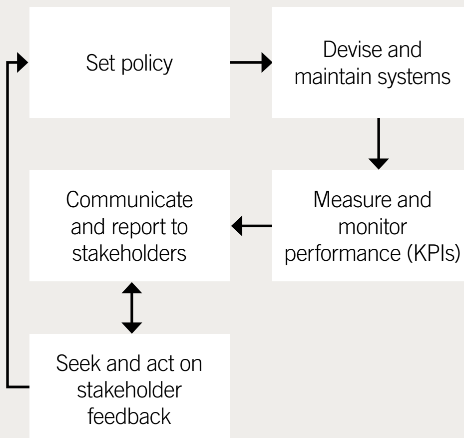


CORPORATE RESPONSIBILITY
OBJECTIVE PERFORMANCE MEASURES AND STRUCTURED MONITORING OF ENVIRONMENTAL AND HEALTH & SAFETY ISSUES CONTINUE TO BE A FOCUS

Strategy
We believe that Corporate Responsibility ('CR') is not only about the good management of our business but also excellent and responsive long term relationships with all our stakeholders, whether customers, employees or suppliers. We have identified seven CR elements relevant to our business model: business conduct/code of ethics; employees; health & safety; environment; community; customers; and suppliers. These are governed by a policy framework, which is approved and monitored by the Board, with implementation at a business area level.

Our approach
During 2010 we reviewed our approach relating to CR issues, seeking input from both consultants and shareholders. We confirmed that our management practices relating to CR remained appropriate and we amended our policies to make them more concise, clearer and better tailored to Bunzl's specific challenges. We have also decided to adopt the term CR going forward rather than Corporate Social Responsibility to reflect that these policies are part of the way Bunzl operates.

To transform our strategy into tangible activities we undertake the following steps:



Further details of the Group's CR policies, processes and controls and how they are monitored are available in the CR section of the Company's website, www.bunzl.com.

Business conduct/code of ethics
The Group's business conduct/code of ethics policy, which was updated in 2010 to improve the clarity of its provisions and to ensure that it continued to reflect best practice, is disseminated to every employee as a guide to how employees are expected to conduct themselves both from a corporate and individual perspective. The policy clearly states that employees should avoid conflicts of interest, provides guidance on the giving and receiving of gifts and entertainment, prohibits illegal payments as well as political donations and reinforces the need to comply with laws, rules and regulations, protect confidential information and company assets and maintain high standards in relationships with our customers and suppliers.

- During the year we refreshed and relaunched our whistle blowing process, 'Speak Up'. New, more prominent, posters explaining the process were developed and an additional contact point, where an anonymous telephone message could be left, was introduced.

CORPORATE RESPONSIBILITY continued

- No material breaches of our business conduct/code of ethics policy were recorded in 2010. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group human resource ('HR') policies and procedures. Nine calls/letters were received through the 'Speak Up' campaign and, where possible, investigations were undertaken. The majority of the matters raised related to employee grievance issues.

- In preparation for the introduction of the Bribery Act in the UK, a bribery risk assessment has been undertaken. For each identified risk, mitigating factors have been considered as well as the policies, controls and processes which are in place. As a consequence, the tightening of some existing controls and the introduction of some additional processes are being considered for introduction in 2011.

2011 objectives
- If appropriate, amend the policies, controls and processes in the light of the Bribery Act in the UK.

- Introduce anti-bribery training across the Group.

Employees
Bunzl currently operates in 23 countries worldwide. We are a service provider, not a manufacturer and, as such, our business relies heavily on the skills and experience of our employees. We pride ourselves on the fact that we run our businesses locally with local managers. We do not unfairly discriminate and we respect human rights. We seek to recruit the right people who are passionate about our business and provide opportunities for people to progress within the organisation on the basis of their skills, experience and aptitude. We believe that to get the best from people we need to respect each other and encourage honest, straightforward communication.

- In May 2010, we brought our senior managers together for a three day conference to share best practice and discuss the key issues presently facing Bunzl.

- The results of and actions taken following the 2009 employee survey were discussed at our 2010 European Information and Consultation Forum. The Forum welcomed the overall satisfaction levels expressed by employees and recommended that the next employee survey be undertaken in 2012.

- Our acquisition pipeline continues to be a valuable source of management talent for the Group and the completion of nine acquisitions during the year has brought further highly skilled people into Bunzl.

2011 objectives
- Develop the format of the employee survey for 2012.

- Continue to monitor key HR measures such as voluntary turnover, sickness absence, training days, workforce gender and age mix and, as appropriate, take action to address any issues that may arise.

Health & safety
The health and safety of our employees and other stakeholders is a priority. Although we try to minimise the risks which occur, particularly relating to the operation of our warehouses and vehicles, incidents relating to manual handling, slipping and tripping remain the highest cause of accidents.

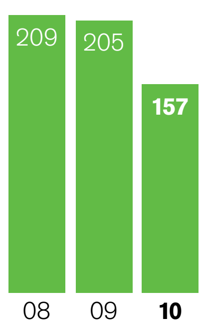
- During the year accident incidence rates improved by 23% compared to the previous year and severity rates improved by 10%. This is due to better performance throughout the Group, particularly in North America.

- We are pleased to report that in 2010 there were no fatalities due to work related incidents. It is more than seven years since we have had a year free of fatalities.

2011 objectives
- Reduce Group accident incidence and severity rates by a further 5%. This is the first year that we have set quantitative objectives at the Group level and therefore we have taken a conservative stance with the intention of reviewing our approach going forward after the first year.

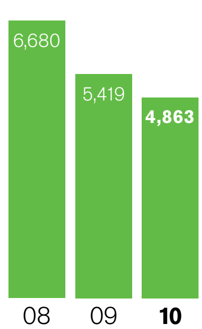
INCIDENCE RATE

Average number of incidents per month per 100,000 employees.



SEVERITY RATE

Average number of days lost per month per 100,000 employees.



Environment
Bunzl seeks to prevent, mitigate and remediate the harmful effects of our operations on the environment. To ameliorate our impact on and exposure to climate change, our facilities operate to Group standards, we promote environmental awareness throughout the business and our branch network mitigates against the effects of extreme local climate conditions. Our direct water usage is minimal as it is principally confined to that required for workplace cleaning and hygiene purposes.

- Bunzl had no environmental incidents in 2010.

- During the year, general waste generated per £1,000 of revenue in the UK & Ireland, parts of Continental Europe and Australasia decreased year on year by 13% and recovered waste per £1,000 of revenue increased by 13%. We are continuing to expand the collection of waste data to include more businesses in the Group. The level of fuel consumption per £1,000 of revenue increased slightly due to the cold winter and lower revenues in the UK & Ireland and France where some of our largest commercial vehicle fleets are based.

Although we have previously reported our carbon emissions data through the Carbon Disclosure Project, we now include our level of carbon emissions as a key performance indicator. The level of carbon emissions has increased slightly in 2010 due to the improved reporting of data combined with an increase in energy consumption as a result of the more severe weather conditions. Carbon emissions data for the UK & Ireland was independently audited by the Carbon Trust as part of attaining the Carbon Trust Standard.

- ISO 14001 accreditation was attained by the remaining sites in Bunzl Australasia and King Netherlands. To date all sites in UK & Ireland and Australasia and many sites in Continental Europe are now accredited. By revenue this represents more than 30% of the Group.

2011 objectives
- Reduce Scope 1 and 2 carbon emissions by 2%. This is the first year that we have set quantitative objectives at the Group level and therefore we have taken a conservative stance with the intention of reviewing our approach going forward after the first year.

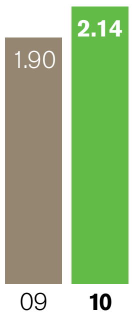
- Seek to improve the accuracy and coverage across the Group of the collection of waste data.

GENERAL WASTE
(Kgs per £000 revenue)

Waste sent to landfill and for incineration.

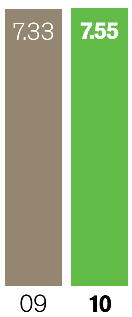
RECOVERED WASTE
(Kgs per £000 revenue)

Separated waste which is recovered/recycled.



FUEL USAGE
(Ltrs per £000 revenue)

Diesel, petrol and LPG used in the Group's own vehicles.



SCOPE 1 AND 2 CARBON EMISSIONS
(Kgs of CO_2 per £000 revenue)

Measured in accordance with the Greenhouse Gas Protocol applying 2009 DEFRA conversion factors.

All data for the fuel usage, waste, carbon emissions and accident statistics for each year is based on the 12 months ended 30 September with comparative measures by revenue calculated at constant exchange rates.

Community

Although Bunzl's operations are international, our strength is in the local nature of our businesses. In keeping with this ethos, we particularly support the fundraising activities championed by our employees locally. This is supplemented by donations made at Group level to charities predominantly in the fields of healthcare, disability and the environment as well as benevolent societies to support projects in communities where our operations are based. Where possible and appropriate, Bunzl also looks to donate stock free of charge ('in-kind').

- Group wide, Bunzl donated a total of £430,000 to charity in 2010. This does not include in-kind donations or employee fund raising. The largest donation last year was made to Ruskin Mill College in the UK for the replacement of their woodland kitchen. The college educates people aged 16 to 25 with severe autistic spectrum disorders and developmental delay. The curriculum focuses on land based practical skills centred around a certified biodynamic farm, woodlands and horticultural area.

- Group companies and employees worldwide have continued to support local charitable initiatives. In North America, we sponsored a parade in St Louis of the Children's Charity, whose mission is to promote the health and well-being of children around the world, as well as undertaking fund raising for the relief effort in Haiti following the earthquake. In Australasia, 126 Bunzl employees took part in the 16 week Global Corporate Challenge to improve employee health and well-being, which involved competitors recording their daily step count, bicycle and swimming activity to help improve their overall health, and many have been fund raising for the flood victims in Queensland. In Romania, Bunzl donated the use of their vehicles to the Romanian Rescue Association to assist in an environmental clean up operation of a local area. In the UK, employee fund raising has taken place for Macmillan Nurses, Help for Heroes and Leukaemia & Lymphoma Research.

- For the fifth consecutive year Bunzl North America was honoured with a Greater St Louis Top 50 Business Shaping our Future Award from the St Louis Regional Commerce and Growth Association. Bunzl was honoured for being among the best companies in its field and for making significant contributions to the St Louis region and the future of its business community.

2011 objectives

- Identify further environmental projects for Bunzl to support.

- Further review in-kind donations.

Customers

As a service business, our ability to both anticipate and meet our customers' needs is key to our success. We strive to ensure that we provide high levels of service. We achieve this by building solid relationships at a local level by regularly meeting with and seeking feedback from our customers. We also provide innovative service and product solutions to meet our customers' needs including requirements to meet sustainability goals.

- During 2010 we further increased our product range to include a broader range of sustainable packaging solutions. These included plant based compostable trays for meat, fish and poultry in North America, using recycled polyethylene terephthalate (rPET) for meat trays in the Netherlands and a new BioWare Fairtrade promotional hot paper cup made from sustainably sourced paper in the UK.

- The Group has received a number of awards from our customers including 2010 Heinz Supplier of the Year and the Innovative Supplier of the Year from Food Services of America in North America, while in the UK, Keenpac received the 2010 Most Sustainable Vendor award from Disney, Lockhart was named as Best Equipment Distributor by Chefs' Choice, Bunzl Cleaning and Hygiene was named by ISS Best of the Best 2010 and one of Bunzl Retail's Account Managers was awarded Best Account Manager by Asda. In Continental Europe, Bunzl Netherland's customer, Hotel Casa 400, gave one of our Account Managers its Account Manager of the Year 2010 award and Weita in Switzerland has been rated by Emmi as its Most Reliable Supplier.

2011 objectives

- Continue to provide innovative products and improve customer service.

Suppliers

Bunzl has relationships with many suppliers. We want our suppliers to meet the same CR standards we set ourselves and to that end we have set up our own quality assurance/quality control ('QA/QC') department as part of our purchasing office in Shanghai. Our QA/QC staff perform regular audits of many of our suppliers in Asia and work with our suppliers to implement appropriate CR standards.

- In 2010, we increased the number of staff within our Shanghai based QA/QC department and further refined our audit approach.

2011 objectives

- Contact our key suppliers to update them on our CR aspirations and to encourage them to adopt a similar approach.

CORPORATE RESPONSIBILITY continued

Risks and opportunities

The Directors' report on page 24 details the principal risks and uncertainties which could have a material impact on the Group's business, financial condition or results of the operations. Although many CR risks are not seen as principal risks to the Group, as part of the Group risk analysis the following CR risks which could impact the Group's business have been identified together with the steps taken by management to mitigate such risks:

RISK	MITIGATING FACTORS
CR compliance failures Lack of adherence to the Group's CR policies could result in a variety of issues including those relating to inappropriate business practices, accidents at work and increased levies due to levels of waste or carbon emissions.	The Group has comprehensive CR policies and procedures (including those relating to anti-bribery and corruption) in place throughout the business as well as an established reporting framework.
Loss of key employees The Group is not capital intensive but the business is based on strong customer and supplier relationships which are built up locally. Stability of key relationship roles amongst the Group's employees is therefore important.	The Group seeks to secure key staff with appropriate incentive packages, development opportunities and career progression. Voluntary staff turnover is measured on a monthly basis, which enables any issues to be identified and resolved.
Loss of operating facilities/unavailability of staff Climate change may result in higher frequency of exteme weather conditions. This could result in some of the Group's facilities being affected or employees being unable to attend for work.	The Group has multi-site facilities with products stocked in more than one location as a result of which the Group usually has the ability to distribute products from nearby facilities. Business continuity plans are in place to minimise the impact of any such issues.
Suppliers' non-compliance with good CR practices The Group is not a manufacturer and has many international suppliers across the world. The failure of one of the Group's key suppliers to adhere to recognised CR standards could affect the Group's reputation.	The Group's key suppliers are principally publicly owned multinational organisations with high standards of operations. Suppliers are monitored by the Group's purchasing departments and the QA/QC department based in China audits many suppliers throughout Asia. Key suppliers are made aware of the Group's CR aspirations.

These risks are seen to be outweighed by a variety of opportunities that arise as a consequence of CR and its impact on the business environment. The principal opportunities include:

OPPORTUNITY	RESPONSE
Environment Throughout the world there is an increased awareness of the need to conserve resources and reduce carbon emissions.	Bunzl is not a manufacturer and therefore there is complete flexibility to offer products that meet customers' requirements. A full range of environmentally friendly products are available. The Group provides customers with the ability to benefit from a consolidated delivery of their consumable products. This reduces carbon emissions by eliminating the need for multiple deliveries from many different suppliers and streamlining the related administration for our customers.
Climate change Climate change may result in higher frequency of extreme weather conditions such as floods, cyclones and heavy snowfall.	There is likely to be an increase in demand for protective clothing to cope with climate change as well as the need for other products supplied by the Group, such as cleaning and hygiene products.
Employees Competition for good quality people continues to be strong.	A key element of Bunzl's strategy is the acquisition of high quality businesses. This results in a number of motivated, high performing people joining the Group each year. It also brings new ideas and fresh approaches to the business which can be utilised elsewhere in the Group.
Health & safety Throughout the world there has been an increase in health & safety legislation and an emphasis on safe working environments.	This leads to an increased demand from both existing and new customers for the Group's personal protection equipment as well as providing the potential to introduce new innovative products in this area.

BOARD OF DIRECTORS

1 Michael Roney
 # (Age 56)
Chief Executive since 2005 having been a non-executive director since 2003. After holding a number of senior general management positions within Goodyear throughout Latin America and then Asia, he became President of their Eastern European, African and Middle Eastern businesses and subsequently Chief Executive Officer of Goodyear Dunlop Tires Europe BV. He is a non-executive director of Johnson Matthey Plc.

2 Philip Rogerson
 # (Age 66)
Appointed to the Board in January 2010 and became Chairman on 1 March 2010. Chairman of the Nomination Committee. He was an executive director of BG plc (formerly British Gas plc) from 1992 to 1998, latterly as Deputy Chairman. He is Chairman of Aggreko plc and Carillion plc.

3 Ulrich Wolters
***†#• (Age 68)**
Non-executive director since 2004. Formerly Managing Director of Aldi Süd in Germany, he built the business into one of the world's leading retailers operating principally in Germany and Austria, the US, the UK and Australia. He is Chairman of Lenze SE and a non-executive director of Douglas Holding AG and Deichmann SE.

4 Pat Larmon
(Age 58)
Executive director since 2004 and President and Chief Executive Officer, North America. Having joined Bunzl in 1990 when Packaging Products Corporation, of which he was an owner, was acquired, he held various senior management positions over 13 years before becoming President of North America in 2003. He was appointed Chief Executive Officer in 2004.

5 David Sleath
***†#• (Age 49)**
Non-executive director since 2007 and Chairman of the Audit Committee. Formerly a Partner and Head of Audit and Assurance for the Midlands region of Arthur Andersen, he subsequently became Finance Director of Wagon plc before joining SEGRO plc, the European industrial property group, where he has been Group Finance Director since 2006 and will become Chief Executive in April 2011.

6 Brian May
(Age 46)
Finance Director since 2006. A chartered accountant, he qualified with KPMG and joined Bunzl in 1993 as Internal Audit Manager. Subsequently he became Group Treasurer before taking up the role of Finance Director, Europe & Australasia in 1996 and Finance Director designate in 2005.

7 Peter Johnson
***†#• (Age 63)**
Non-executive director since 2006 and Senior Independent Director. Having spent most of his earlier career in the motor industry, he joined Inchcape plc in 1995, became Chief Executive in 1999 and was Chairman from 2006 until 2009. He is Chairman of The Rank Group Plc.

8 Charles Banks
***†#• (Age 70)**
Non-executive director since 2002 and Chairman of the Remuneration Committee. Previously Chief Executive of Ferguson Enterprises, the largest North American subsidiary of Wolseley plc, he joined the Board of Wolseley in 1992 and was Group Chief Executive from 2001 until 2006. He was a partner of private equity firm Clayton Dubilier & Rice from 2006 until 2010. He will retire from the Board after the Annual General Meeting.

* Member of the Audit Committee
† Member of the Remuneration Committee
# Member of the Nomination Committee
• Independent director

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report which includes this Directors' report and the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2010. The Directors' report incorporates by reference, to the extent indicated below, certain information included elsewhere in the Annual Report and should be read in conjunction with that information. The Corporate governance report on pages 29 to 31 also forms part of the statutory directors' report.

Principal activity and business review
The principal activity of the Group is providing value added distribution and outsourcing services in the Americas, Europe and Australasia. Details of the Group's activities, developments and performance for the year, the main trends and factors likely to affect its future development and performance and information which fulfils the requirements of the Companies Act 2006 relating to the production of a business review are set out in the Chairman's statement, the Chief Executive's review, the Financial review and the Corporate responsibility report on pages 4 to 22 and in the section below entitled 'Principal risks and uncertainties'. The Company uses a number of key performance indicators to measure progress towards its objectives. These are set out in the form of bar graphs on pages 7, 16 and 21.

Principal risks and uncertainties
There are a number of potential risks and uncertainties which could have a material impact on the Group's business, financial condition or results of operations. The Group has specific policies and procedures which are designed to identify, evaluate, manage and mitigate business risk. The principal risks and uncertainties faced by the Group and the steps taken by the Group to mitigate such risks and uncertainties include the following:

RISK	MITIGATING FACTORS
Economic environment The Group's business is partially dependent on general economic conditions in the US, the UK, France and other important markets. A significant deterioration in these conditions could have an adverse effect on the Group's business and results of operations.	The Group's operations and its customer base are diverse, with a variable and flexible cost base, and many of the sectors in which it competes are traditionally, by their nature, relatively resilient to economic downturns.
Competitive pressures The Group operates in highly competitive markets and faces competition from international companies as well as national, regional and local companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Group's growth potential, either through pressure on margins or loss of customers.	The Group seeks to remain competitive by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily, developing a national presence in the markets in which the Group operates and maintaining strong relationships with a variety of different suppliers thereby enabling the Group to offer a broad range of products to its customers.
Product price changes The purchase price and availability of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. Adverse economic conditions resulting in a period of commodity price deflation and increased levels of imported products may lead to reductions in the price and value of the Group's products. If this were to occur, the Group's revenue and, as a result, its profits, could be reduced and the value of inventory held in stock may not be fully recoverable.	The Group endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product. Increased focus on the Group's own import programmes and brands, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. The Group mitigates against the risk of holding overvalued inventory in a deflationary environment by managing stock levels efficiently and ensuring they are kept to a minimum.
Foreign exchange The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. As a result, movements in exchange rates may have a material translation impact on the Group's reported results. The Group may also be subject to transaction exposures where products are purchased in one currency and sold in another and movements in exchange rates may also adversely affect the value of the Group's net assets.	The Group believes that the benefits of its geographical spread outweigh the associated risks. The majority of the Group's transactions are carried out in the functional currency of the Group's operations. As a result, transaction exposures are usually limited and exchange rate fluctuations have minimal effect on the quality of earnings unless there is a sudden and significant adverse movement of a foreign currency in which products are purchased which may lead to a delay in passing on to customers the resulting price increases.
Acquisitions A significant portion of the Group's historical growth has been achieved through the acquisition of businesses and the Group's growth strategy includes additional acquisitions. Although the Group operates in a number of fragmented markets which provide future acquisition opportunities, there can be no assurance that the Group will be able to make acquisitions in the future or that any acquisitions made will be successful. In the longer term, if an acquisition consistently underperforms compared to its original investment case, there is a risk that this will lead to a permanent impairment in the carrying value of the intangible assets attributed to that acquisition.	The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. The Group continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration. The Group endeavours to maximise the performance of an acquisition through the recruitment and retention of high quality management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.

RISK	MITIGATING FACTORS
Financial liquidity and debt covenants	
The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth and to make acquisitions when appropriate opportunities arise. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms.	The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term.
The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately.	Compliance with the Group's biannual debt covenants is monitored on a monthly basis based on the management accounts. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants.
Business continuity	
The Group would be affected if there was a significant failure of its major distribution facilities or information systems.	The Group seeks to reduce the impact of facilities' failure through the use of multi-site facilities with products stocked in more than one location and the impact of information systems' failure through the adoption of detailed back up plans which are periodically tested and which would be implemented in the event of any such failure.
Laws and regulations	
The international nature of the Group's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates.	Although the Group does not operate in particularly litigious market sectors, it has in place processes to report, manage and mitigate against third party litigation using external advisers where necessary.
In addition the Group faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. The sourcing of products from lower cost countries increases the risk of the Group being unable to recover any potential losses relating thereto from the relevant supplier.	The use of reputable suppliers and internal quality assurance and quality control procedures reduce the risks associated with defective products.

The Financial review on pages 16 to 18 and Note 13 to the consolidated financial statements includes information relating to the Group's risk management policies so far as they relate to financial instruments. The 'Internal control and risk management' section of the Corporate governance report on page 31 includes further information on the specific procedures designed to identify, manage and mitigate business risk.

Going concern

As indicated in the section above entitled 'Principal activity and business review', details of the Group's activities, developments and performance are set out on pages 4 to 22. In addition, information relating to the financial performance, financial position and cash flows of the Group is set out in the Financial review on pages 16 to 18. Note 13 to the consolidated financial statements includes the details of the Group's debt profile, capital management policy, treasury policies and controls, hedging activities and financial instruments and its policies and exposures to liquidity, interest rate, foreign currency and credit risks.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges a mixture of borrowings from different sources comprising multi-currency credit facilities and US dollar and sterling bonds. As at 31 December 2010 the Group had net debt of £716.8 million and undrawn committed facilities of £557.3 million. During the next 12 months £245.5 million of the committed facilities mature and thereafter the facilities will mature at various times over the period up to May 2019. In addition, the Company has agreed a further issue of £75.2 million (sterling equivalent) of US dollar bonds which will be drawn in April 2011 and which will mature in April 2021 and April 2023. The Group is highly cash generative and its cash flows have historically been strong, converting 93% of the operating profit before intangible amortisation and acquisition related costs into operating cash in 2010. Compliance with the Group's biannual debt covenants is monitored on a monthly basis and sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During 2010 all covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has sufficient financial resources, a well established, fragmented customer base, strong supplier relationships and a diverse geographic presence. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Dividends

An interim dividend of 7.15p was paid on 4 January 2011 in respect of 2010 and the directors recommend a final dividend of 16.2p, making a total for the year of 23.35p per share (2009: 21.55p). Dividend details are given in Note 17 to the consolidated financial statements. Subject to approval by the shareholders at the Annual General Meeting on 20 April 2011, the final dividend will be paid on 1 July 2011 to those shareholders on the register at the close of business on 13 May 2011.

Share capital
The Company has a single class of share capital which is divided into ordinary shares of $32^{1}/_{7}$p each which rank pari passu in respect of participation and voting rights. The shares are in registered form, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company operates a Level 1 American Depositary Receipt programme with the Bank of New York Mellon under which the Company's shares are traded on the over the counter market in the form of American Depositary receipts.

Details of changes to the issued share capital during the year are set out in Note 16 to the consolidated financial statements.

Rights and obligations attaching to shares
Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares, the Company may resolve by ordinary resolution to issue shares with such rights and restrictions as set out in such resolution or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the provisions of the Companies Act 2006 and of any resolution of the Company passed pursuant thereto and without prejudice to any rights attached to existing shares, the Board is duly authorised to issue and allot, grant options over or otherwise dispose of the Company's shares on such terms and conditions and at such times as it thinks fit. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated by special resolution passed at a separate general meeting of such holders. Subject to the rights attached to any existing shares, rights attached to shares will be deemed to be varied by the reduction of capital paid up on the shares and by the allotment of further shares ranking in priority in respect of dividend or capital or which confer on the holders more favourable voting rights than the first-mentioned shares, but will not otherwise be deemed to be varied by the creation or issue of further shares.

Power to issue and allot shares
The directors are generally and unconditionally authorised under the authorities granted at the 2010 Annual General Meeting to allot shares or grant rights to subscribe for or to convert any security into shares of the Company up to i) a maximum nominal amount of £35.2 million; and ii) to allot ordinary shares or grant rights to subscribe for or convert any securities into shares in connection with a rights issue to existing shareholders in proportion (or as nearly as may be practicable) up to an aggregate nominal amount equal to £70.4 million or as reduced by the nominal value of any ordinary shares allotted under i) above. At the same meeting authority was also granted to the directors to allot the Company's shares for cash, up to a maximum nominal amount of approximately £5.7 million, without regard to the pre-emption provisions of the Companies Act 2006. No such shares were issued or allotted under these authorities in 2010, nor is there any current intention to do so, other than to satisfy the consideration payable for businesses to be acquired. If the directors do exercise the authority under ii) above the directors intend to follow ABI recommendations concerning its use.

These authorities are valid until the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek equivalent authorities at such Annual General Meeting.

Restrictions on transfer of shares
Dealings in the Company's ordinary shares by its directors, persons discharging managerial responsibilities, certain employees of the Company and, in each case, their connected persons, are subject to the Company's dealing code which adopts the Model Code of the Listing Rules published by the Financial Services Authority.

Certain restrictions, which are customary for a listed company, apply to transfers of shares in the Company. The Board may refuse to register an instrument of transfer of any share which is not a fully paid share and of a certificated share at its discretion unless it is:

- lodged, duly stamped or duly certified, at the offices of the Company's registrars or such other place as the Board may specify and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- in respect of only one class of shares; and
- in favour of not more than four transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In addition, no instrument of transfer for certificated shares shall be registered if the transferor has been served with a restriction notice (as defined in the Company's Articles of Association (the 'Articles')) after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arms' length sale. The Board has the power to procure that uncertificated shares are converted into certificated shares and kept in certificated form for as long as the Board requires.

The Company is not aware of any agreements between shareholders that may result in any restriction of the transfer of shares or voting rights.

Restrictions on voting rights
A member shall not be entitled to vote, unless the Board otherwise decides, at any general meeting or class meeting in respect of any shares held by them if any call or other sums payable remain unpaid. Currently, all issued shares are fully paid. In addition, no member shall be entitled to vote if he has been served with a restriction notice after failure to provide the Company with information concerning certain interests in the Company's shares required to be provided under the Companies Act 2006. Votes may be exercised in person or by proxy. The Articles currently provide a deadline for submission of proxy forms of 48 hours before the relevant meeting, 24 hours before a poll is taken if such poll is taken more than 48 hours after it was demanded or during the meeting at which the poll was demanded if the poll is not taken straight away but is taken not more than 48 hours after it was demanded.

Bunzl Group Employee Benefit Trust
Bunzl Employee Trustees Limited is trustee of the Bunzl Group General Employee Benefit Trust ('the EBT') which holds shares in respect of employee share options and awards that have not been exercised or vested. The current position is that the EBT abstains from voting in respect of these shares. The trustee has agreed to receive a nominal dividend of 0.001p per share on dividend payments on shares held within the EBT. Details of the shares so held are set out in Note 16 to the consolidated financial statements.

Purchase of own shares
At the 2010 Annual General Meeting, shareholders gave the Company authority to purchase a maximum of 32,845,000 ordinary shares. During the year ended 31 December 2010 the Company did not purchase any of its own shares pursuant to this authority or the authority granted at the 2009 Annual General Meeting and no shares have been purchased between 31 December 2010 and 28 February 2011. The total number of ordinary shares currently held in treasury is 23,325,000. The Company is therefore currently authorised to buy back 32,845,000 of its own shares pursuant to the existing shareholders' authority which is due to expire at the conclusion of the forthcoming Annual General Meeting. The directors again propose to seek the equivalent authority at such Annual General Meeting.

Directors
Directors may be elected by ordinary resolution at a duly convened general meeting or appointed by the Board. Under the Articles, the minimum number of directors shall be two and the maximum shall be 15. In accordance with the Articles, each director is required to retire at the Annual General Meeting held in the third calendar year in which he or she was elected or last elected and any director who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the Annual General Meeting is subject to annual re-election. The Board may also appoint a person willing to act as a director during the year either to fill a vacancy or as an additional director but so that the total number of directors shall not at any time exceed 15. However such appointee shall only hold office until the next Annual General Meeting of the Company. Notwithstanding the retirement by rotation provisions in the Articles, each of the directors will be standing for re-election at the forthcoming Annual General Meeting in accordance with the provisions of the UK Corporate Governance Code.

In addition to any power to remove a director from office conferred by company law, the Company may also by special resolution remove a director from office before the expiration of his period of office under the Articles.

The office of a director shall also be vacated pursuant to the Articles if:

- he resigns by giving notice to the Company or is asked to resign by all of the other directors who are not less than three in number; or
- he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; or
- he is absent without permission from Board meetings for six consecutive months and the Board resolves that his office be vacated; or
- he becomes bankrupt or compounds with his creditors generally; or
- he is prohibited by law from being a director; or
- he ceases to be a director by virtue of any provisions of company law or is removed from office pursuant to the Articles.

Mr J F Harris retired from the Board on 28 February 2010. All of the other current directors served throughout the year. Mr C A Banks will retire from the Board on 20 April 2011. Biographical details of the current directors are set out on page 23.

Directors' interests in ordinary shares are shown in Note 19 to the consolidated financial statements. None of the directors was materially interested in any contract of significance with the Company or any of its subsidiary undertakings during or at the end of 2010. Information relating to the directors' service agreements and their remuneration for the year and details of the directors' share options under the Company's share option schemes and awards under the Long Term Incentive Plan and Deferred Annual Share Bonus Scheme are set out in the Directors' remuneration report on pages 32 to 40.

Powers of the directors
Subject to the Articles, the Companies Act 2006 and any directions given by the Company by special resolution, the business of the Company is managed by the Board who may exercise all powers of the Company. The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent or agents of the Company for such purposes and on such conditions as the Board determines.

Directors' indemnities
As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors and the Company Secretary, in addition to other senior executives who are directors of subsidiaries of the Company, to the extent permitted by law and the Articles in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as a director or officer of the Company or any of its subsidiaries.

Amendment of Articles
Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution of the Company's shareholders. Following the implementation of the final parts of the Companies Act 2006 and the coming into force of the Companies Shareholders' Rights Regulations in 2009, new Articles of Association were adopted by shareholders at the 2010 Annual General Meeting.

Environmental and social responsibility
The directors recognise that the Company is part of a wider community and that it has a responsibility to act in a way that respects the environment and social and community issues. Further information relating to the Company's approach to these matters is set out in the Corporate responsibility report on pages 19 to 22.

Employment policies
The employment policies of the Group have been developed to meet the needs of its different business areas and the locations in which they operate worldwide, embodying the principles of equal opportunity. The Group has standards of business conduct with which it expects all its employees to comply. Bunzl encourages involvement of its employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment. In addition to a regular magazine and the Company's intranet, which provide a variety of information on activities and developments within the Group and incorporate half year and annual financial reports, announcements are periodically circulated to give details of corporate and staff matters together with a number of subsidiary or business area publications dealing with activities in specific parts of the Group.

It is the Group's policy that disabled applicants should be considered for employment and career development on the basis of their aptitudes and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

DIRECTORS' REPORT continued

Substantial shareholdings
As at 28 February 2011 the directors have been notified by the following shareholders that they were each interested in 3% or more of the issued share capital of the Company. The notifications listed below are those which have been most recently received for the named shareholders.

Shareholder	Date of notification	Number of shares	% of issued share capital
INVESCO plc	20.05.10	32,571,686	9.9
Aviva plc	23.04.10	19,007,850	5.8
Newton Investment Management Ltd	10.12.10	17,013,190	5.2
Lloyds Banking Group plc	27.05.10	16,425,039	5.0
Legal & General Group Plc	12.11.09	13,069,891	4.0

Significant agreements
The Company's wholly owned subsidiary, Bunzl Finance plc, has a number of bilateral loan facilities with a range of different counterparties, all of which are guaranteed by the Company, are in substantially the same form and are prepayable at the option of the lender in the event of a change of control of the Company. Similar change of control provisions in relation to the Company are included in the syndicated bank loan and the US dollar bonds which have been entered into by Bunzl Finance plc and the Company and are also guaranteed by the Company.

Contractual arrangements
The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

Creditor payment policy
Group operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that suppliers are made aware of these terms and that payments to suppliers are made in accordance with them provided that suppliers also comply with all relevant terms and conditions. The number of days' billings from the Company's suppliers outstanding at the end of the year was 30 (2009: 30).

Donations
During 2010, amongst other worldwide charitable donations, the Group contributed £215,000 to UK charities (2009: £210,000). No contributions were made for political purposes.

Annual General Meeting
The Annual General Meeting will be held at The Park Suite, The Dorchester, Park Lane, London W1K 1QA on Wednesday 20 April 2011 at 11.00 am. The Notice convening the Annual General Meeting is set out in a separate letter from the Chairman to shareholders which explains the items of business which are not of a routine nature.

External auditor
Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditor of the Company at a rate of remuneration to be determined by the directors.

On behalf of the Board
P N Hussey
Secretary
28 February 2011

Pages 24 to 28 inclusive consist of a directors' report that has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

The Annual Report contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. This report describes how the principles of corporate governance set out in the Combined Code issued by the Financial Reporting Council ('the Code') have been applied by the Company during the year ended 31 December 2010. The Company confirms that, with the exception of the short period referred to below when the Company had not appointed a senior independent director, it has complied throughout 2010 with the provisions of the Code, a copy of which is available at www.frc.org.uk. The revised UK Corporate Governance Code which was published by the Financial Reporting Council in June 2010 ('the New Code') will apply to the Company for the 2011 financial year.

The Board

The Board currently comprises a Chairman, a Chief Executive, two other executive directors and four non-executive directors who have wide experience and are, together with the Chairman, considered by both the Board and the criteria set out in the Code to be independent. Mr J F Harris, who was the senior independent director and acted as Interim Chairman following Mr A J Habgood's retirement in 2009, retired from the board on 28 February 2010. The appointment of a senior independent director to succeed Mr J F Harris was considered by the Board after Mr P G Rogerson had assumed the role of Chairman on 1 March 2010, and accordingly, Mr P W Johnson was appointed as senior independent director on 21 April 2010. None of the Company's non-executive directors had any previous connection with the Company or its executive directors on appointment to the Board. Brief biographical details of the directors are given on page 23. Information relating to the conduct of Board meetings and the procedures implemented to ensure that the Board retains overall control and accountability for all strategic, financial, operational and compliance issues are set out in the internal control section below and in the Financial review on pages 16 to 18. The Board has Audit, Remuneration and Nomination Committees which comply with the provisions of the Code. The Chief Executive is the designated member of the Board responsible for environmental, social and governance matters and reports to the Board in relation to such matters. The Company has a formal performance evaluation process for the Board, its Committees and individual directors overseen by the Chairman. This includes completion of self-assessment forms by, and individual discussions with, each director. Led by the senior independent director, the non-executive directors also meet without the Chairman present at least annually to appraise the Chairman's performance. The Chairman periodically holds meetings with the non-executive directors without the executive directors present. These processes were carried out satisfactorily during the year as a result of which the Board concluded that both it and its Committees are operating effectively. The Board also oversees the process for reviewing any potential conflicts of interest which may arise in relation to each member of the Board and this process was carried out satisfactorily during the year. Finally, the Chief Executive annually presents a management succession plan which is discussed with the Chairman and the non-executive directors. Detailed information concerning the directors' remuneration is given in the Directors' remuneration report on pages 32 to 40.

In accordance with the terms of the New Code, each of the directors will be subject to re-election at the forthcoming Annual General Meeting.

Audit Committee

The Audit Committee comprises all of the independent non-executive directors and is chaired by Mr D J R Sleath who is considered by the Board to have recent and relevant financial experience. While the Chairman of the Company, the Finance Director and the Chief Executive are not members of the Committee, they normally attend meetings of the Committee by invitation together with the Head of Internal Audit and representatives from the external auditor.

The Committee's principal role is to:

- monitor the integrity of the financial statements of the Group and review significant reporting judgements;
- review the effectiveness of the Company's internal financial controls;
- review the process for the management of risk and the assurance procedures over controls designed to manage key risks;
- monitor and review the effectiveness of the Company's internal audit function;
- make recommendations to the Board in relation to the appointment of the external auditor;
- monitor and review auditor independence; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services.

The Committee Chairman holds preparatory meetings with the Company's senior management and, when appropriate, the Head of Internal Audit and the external auditor prior to Committee meetings to discuss the items to be considered at the Committee meetings. In addition, separate discussions are held between the Committee and the Head of Internal Audit and the external auditor without management present. The Committee Chairman also attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. During the year the Committee met on three occasions and its activities included:

- receiving and considering reports from the external auditor in relation to the half year and annual financial statements;
- reviewing the half year and annual financial reports and the formal announcements relating thereto;
- receiving and considering reports from the Head of Internal Audit in relation to the work undertaken by the internal audit function and reviewing and approving the internal audit work programme for the year;
- reviewing the effectiveness of the Company's internal financial controls and the assurance procedures relating to the Company's risk management systems;
- reviewing the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- reviewing the Committee's terms of reference and the Committee's effectiveness;
- reviewing the effectiveness of both the external auditor and the internal audit function following completion of detailed questionnaires by both the Board and senior management within the Company;
- making recommendations to the Board concerning the appointment of the external auditor and approving the remuneration and terms of engagement of the auditor;
- reviewing and approving the level and type of non-audit work which the external auditor performs, including the fees paid for such work; and
- reviewing the processes and procedures applied by the Company in relation to the integration of newly acquired businesses into the Group.

The Committee ensures that the external auditor remains independent of the Company and receives written confirmation from the external auditor as to whether it considers itself independent within the meaning of its own internal and the relevant regulatory and professional requirements. Key members of the audit team rotate off the Company's audit after a specific period of time.

In order to ensure that the objectivity and independence of the external auditor is not compromised, the Committee has also pre-approved the non-audit service categories that can be provided by the external auditor and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. A service requires specific authorisation from the Committee or the Committee Chairman where it does not fall within the pre-approved categories or where its value exceeds the maximum pre-approved individual engagement value. Such non-audit service categories which are pre-approved principally comprise tax services and further assurance services relating to pre-acquisition due diligence and other duties carried out in respect of acquisitions and disposals of businesses. The Committee believes that given the external auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed due diligence as part of the acquisition process, it is often appropriate for this additional work to be carried out by the Company's auditors. However other firms are also used by the Company to provide non-audit services and it is the Company's policy to assess the services required on a case by case basis to ensure that the best placed adviser is retained. Details of the fees paid to the external auditor in 2010 in respect of the audit and for non-audit services are set out in Note 4 to the financial statements.

As part of the decision to recommend to the Board the re-appointment of the external auditor, the Committee takes into account the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Committee's choice of external auditor.

As a consequence of its satisfaction with the results of its review of the external auditor's activities during the year, the Committee has recommended to the Board that a resolution proposing the re-appointment of KPMG Audit Plc as external auditor be put to shareholders at the forthcoming Annual General Meeting.

The Committee's terms of reference are available on the Company's website, www.bunzl.com.

Remuneration Committee
The Remuneration Committee comprises all of the independent non-executive directors and is chaired by Mr C A Banks. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. Further details of the Remuneration Committee, the Company's remuneration policy and how it is applied are set out in the Directors' remuneration report on pages 32 to 40. The terms of reference of the Committee are available on the Company's website.

Nomination Committee
The Nomination Committee comprises the Chairman of the Company, who chairs the Committee, the Chief Executive and all of the non-executive directors. The majority of the members are independent non-executive directors. The Committee meets as necessary to enable it to make recommendations to the Board on new appointments of executive and non-executive directors. An external search consultancy is retained by the Company to assess potential candidates to be considered as prospective non-executive directors and, when appropriate, executive directors. Candidates are then interviewed by members of the Committee before an appropriate recommendation is made to the Board. On joining the Board, new directors are given an induction into the business of the Company and training as necessary. The terms of reference of the Committee are set out on the Company's website.

Meetings attendance
The following table shows the attendance in 2010 of directors at Board meetings and at meetings of the Board Committees of which they are members:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	3	4	2
P G Rogerson	8			2
M J Roney	8			2
J F Harris*	2			
C A Banks	7	3	4	1
U Wolters	7	3	3	2
P L Larmon	8			
B M May	8			
P W Johnson	8	3	4	2
D J R Sleath	8	3	4	2

*Mr J F Harris retired as a director on 28 February 2010 having attended both of the Board meetings held between 1 January 2010 and that date. There were no Nomination Committee meetings during this period.

Relations with shareholders
The Company reports formally to shareholders twice a year with the half year results announced normally at the end of August and the annual results announced normally at the end of February. In addition the Company publishes two interim management statements a year as required by the Disclosure and Transparency Rules.

The Chief Executive and Finance Director have regular meetings with representatives of institutional shareholders and report to the Board the views of major shareholders. Additional forms of communication include presentations of the half year and annual results. The Chairman and the senior independent director and the other non-executive directors are available to meet with major shareholders on request. The Board also periodically reviews and discusses analysts' and brokers' reports and surveys of shareholder opinions conducted by the Company's own brokers. Notice of the Annual General Meeting is sent to shareholders at least 20 working days before the Meeting. All shareholders are encouraged to participate in the Annual General Meeting, are invited to ask questions at the Meeting and are given the opportunity to meet all of the directors informally. Shareholders are given the option to withhold their vote on the proxy form. At the Annual General Meeting held in 2010, the Board decided that each of the resolutions put to the meeting would be taken on a poll rather than on a show of hands. The same procedure will be followed at the forthcoming Annual General Meeting as directors believe that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be publicly announced and made available on the Company's website as soon as practicable following the Annual General Meeting.

Internal control and risk management

The directors acknowledge that they have overall responsibility for identifying and managing the risks faced by the Group and for the Group's system of internal control relating to those risks. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with the Turnbull guidance the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating significant risks to the Group. The directors confirm that such procedures have been in place for the year ended 31 December 2010 and up to the date of approval of these financial statements and have been reviewed during the year.

To ensure that the directors maintain overall control over all significant strategic, financial, operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision. These include the approval of the annual and half year results of the Group, the Group's strategic plans, annual budget, larger capital expenditure and acquisition/divestment proposals, material increases to borrowing and loan facilities, treasury policies and the terms of reference for the Board Committees.

The Board has delegated to management the responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates. The principal features of this system include:

- a procedure for monitoring the effectiveness of the internal control system through a tiered management structure with clearly defined lines of responsibility and delegation of authority;

- clearly defined authorisation procedures for capital investment and acquisitions;

- strategic plans and comprehensive budgets which are prepared annually by the business areas and approved by the Board;

- formal standards of business conduct (including a code of ethics and whistle blowing procedure) based on honesty, integrity and fair dealing;

- a well established consolidation and reporting system for the statutory accounts and monthly management accounts;

- continual investment in IT systems to ensure the production of timely and accurate management information relating to the operation of the Group's businesses; and

- detailed manuals covering Group accounting policies and policies and procedures for the Group's treasury operations.

Some of the procedures carried out in order to monitor the effectiveness of the internal control system and to identify, manage and mitigate business risk are listed below:

- central management holds regular meetings with business area management to discuss strategic, operational and financial issues including a review of the significant risks affecting each of the business areas and the policies and procedures by which these risks are managed;

- an Executive Committee, consisting of the Chief Executive, Finance Director and other functional managers, meets twice per month and also reviews the outcome of the discussions held at business area meetings on internal control and risk management issues;

- the Board in turn reviews the outcome of the Executive Committee discussions on internal control and risk management issues which ensures a documented and auditable trail of accountability;

- both the Executive Committee and the Board carry out an annual fraud risk assessment;

- actual results are reviewed monthly against budget, forecasts and the previous year and explanations obtained for all significant variances;

- the Group's bank balances around the world are monitored on a weekly basis and significant movements are reviewed centrally;

- the internal audit department periodically reviews individual businesses and procedures, makes recommendations to improve controls and follows up to ensure that management implement the recommendations made. The internal audit department's work is determined on a risk assessment basis and their findings are reported to Group and business area management as well as to the Audit Committee;

- the Audit Committee, which comprises all of the independent non-executive directors of the Company, meets regularly throughout the year. Further details of the work of the Committee are set out on pages 29 and 30;

- regular meetings are held with insurance and risk advisers to assess the risks throughout the Group;

- the management committee, which oversees issues principally relating to environment, health and safety, insurance and business continuity planning matters, sets relevant policies and practices and monitors their implementation;

- risk assessments, safety audits and a regular review of progress against objectives established by each business area are periodically carried out; and

- developments in tax, treasury and accounting are continually monitored by Group management in association with external advisers.

The directors confirm that they have reviewed the effectiveness of the system of internal control and risk management in operation during 2010.

The external auditor is engaged to express an opinion on the financial statements. The audit includes the review and test of the system of internal financial control and the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

On behalf of the Board
P N Hussey
Secretary
28 February 2011

DIRECTORS' REMUNERATION REPORT

Terms of reference of the Remuneration Committee
The terms of reference of the Remuneration Committee (the 'Committee'), as approved by the Board, embody the purpose of the Committee as ensuring that the Company's executive directors and senior executives are properly incentivised and fairly rewarded for their individual contributions to the Group's overall performance having due regard to the interests of shareholders and to the financial and commercial health of the Group.

Membership
All members of the Committee, who are identified on page 23, are independent non-executive directors. The Committee is chaired by Mr C A Banks. Members of the Committee do not have any personal financial interest (other than as shareholders) in matters decided by the Committee, nor do they have any potential conflict of interest arising from cross directorships or day to day involvement in running the Group's business. The Committee meets at least three times during the year and at other times as may be required. While neither the Chairman of the Company nor the Chief Executive are members of the Committee, they normally attend meetings by invitation except when the Committee is considering matters concerning themselves. The Director of Group Human Resources acts as Secretary to the Committee.

Audit
The directors' remuneration in 2010 and the details of the directors' interests in the Company's ordinary shares disclosed on pages 32 to 40 have been audited by the Company's independent external auditor.

Remuneration policy
The Company's remuneration policy is designed to help ensure the recruitment, retention and motivation of the executive directors by providing fair reward for the responsibilities they undertake and the performance they achieve on behalf of shareholders. In this context, the Committee's policy is to set the overall remuneration package at a competitive level and in a form that permits significant additional remuneration to be earned for high performance over a sustained period. This is normally achieved by benchmarking base pay against comparator companies taking into account a range of factors and by providing, in addition, short and long term incentives geared to performance.

In assessing the balance of performance related and non-performance related elements of remuneration, base pay and benefits are treated as non-performance related, whereas annual bonus (including awards under the Deferred Annual Share Bonus Scheme (the 'DASBS')) and long term incentives are treated as performance related. For this purpose, share options and performance shares are valued at an appropriate proportion of their face value on grant or award. On this basis, the Committee sets the remuneration package such that about half the total target remuneration package is derived from the performance related elements.

The performance related elements of the package are designed to incentivise executives to meet key performance metrics which align their interests and remuneration with those of shareholders, for example targets relating to earnings per share and total shareholder return. In setting such targets the Committee takes due account of the potential effect such targets could have on the attitude and behaviour of executives to risk within the business.

Both the overall competitiveness of the remuneration package and the balance between performance and non-performance related elements are kept under regular review in the light of market practice and the needs of the Company. The Committee commissions reports and receives advice on directors' remuneration from independent remuneration and benefits consultants, namely PricewaterhouseCoopers LLP ('PwC') and Hewitt New Bridge Street, who may from time to time also provide other services to the Company on remuneration and benefit related matters that are not the subject of review by the Committee. During 2010, PwC provided external survey data on directors' remuneration and benefit levels and Hewitt New Bridge Street provided information to determine whether, and if so to what extent, the performance conditions attached to share options and performance share awards had been satisfied. In addition PwC provides the Company with some accounting, tax and pre-acquisition due diligence services. Further details of the remuneration policy and how it is currently applied to the various aspects of remuneration are provided in the relevant sections below.

With regard to external pay survey data, the Committee reviews each year, prior to the annual review of base pay in January, information on remuneration and benefit levels based on external survey data produced by PwC. The Committee seeks to maintain, wherever possible, a consistent and appropriate basis for comparison year on year in terms of the survey methodology and, in particular, the use of comparator groups from which the survey data is produced. There are three comparator groups that the Committee uses. These are related to revenue, profit before tax and market capitalisation. In each case the comparator group consists of at least 20 non-financial UK based companies that have substantial operations overseas. Half of the companies in each comparator group are the next highest and half are the next lowest compared to Bunzl. The total number of companies included in this survey will depend on the overlap of the companies within each of the three comparator groups but the aim is for the total number of companies to be at least 40. The results from each of the comparator groups are blended by PwC to provide an overall assessed market position as at 1 January of the year of the review. Neither PwC nor Hewitt New Bridge Street provide specific recommendations to the Committee on remuneration or benefit levels for the executive directors. The Committee does, however, review survey information provided by them in the light of its established remuneration policy before making its decisions. All decisions of the Committee were implemented in full.

Base pay
The base pay of each executive director is set to reflect the size and scope of that director's responsibilities, the level of overall performance achieved, including that related to environmental, social and governance issues, and experience in the post. As stated above, it is benchmarked against comparator companies and the actual pay level is set after taking account of performance, relevant external survey data and the average salary increases implemented for other employees within the Group. The Committee has recently reviewed the level of base pay for 2011. After taking account of the ongoing performance of the Group, the Committee has from 1 January 2011 increased the annual base pay for Mr M J Roney to £825,000, Mr B M May to £456,000 and Mr P L Larmon to US$935,000. Mr P L Larmon's 2010 base pay as shown in the table on page 40 has been converted into sterling at the applicable average exchange rate for the year.

Annual bonus plan
The executive directors participate in an annual bonus plan intended to support the Company's overall remuneration policy. The bonus plan for each executive director contains meaningful targets that seek to focus attention on one or two key measures of short to medium term achievement. Bonus awards are not pensionable. In 2010 the target for the annual bonus for Mr M J Roney and Mr B M May was linked to the Group's achievement of earnings per share after certain specified adjustments ('eps'). Detailed terms of the plan were determined by the Committee and provided for a bonus to be awarded if the Group achieved, in 2010, a target eps level based on the budgeted performance for the year. The bonus plan provided for an increase in the bonus award pro rata for eps achievement above the target level of eps up to the maximum bonus referred to below and a reduced payment for performance below the target subject to the achievement of a minimum threshold eps below which no bonus would be payable. Half of this annual bonus is paid in cash to a maximum level of 57.5% of annual base pay and the other half (but with the total aggregate amount capped at 115% of base pay) is deferred under the rules of the DASBS, details of which are set out below.

Mr P L Larmon's bonus plan for 2010 was partly based on the profit of and capital employed in the business for which he was directly responsible. In addition a portion of his bonus was based on Group performance. Part of Mr P L Larmon's annual bonus is normally paid in cash to a maximum level of 65% of annual base pay and the balance (but with the total aggregate amount capped at 110% of base pay) is deferred under the rules of the DASBS.

Under the DASBS, eligible executives, including the executive directors, receive the deferred element of their annual bonus as an award of ordinary shares. The awards are satisfied by ordinary shares that are purchased in the market and deposited with the Bunzl Group General Employee Benefit Trust (the 'Trust') until 1 March in the third year after the year in which the award is made, following which they are transferred to the executive provided normally that the executive has remained in the employment of the Group throughout that period or until their normal retirement date. The DASBS forms a part of the annual bonus plan so as to provide, in total, an annual bonus opportunity linked to the performance of the Group, with a significant portion of any bonus award held in shares for a three year period. The Committee believes this supports the overall remuneration policy and contributes to the alignment of executives' and shareholders' interests.

The rules of the DASBS provide that executives who leave the Group prior to the vesting of their awards lose their rights to any deferred shares although the Committee has discretion to allow such shares to vest if deemed appropriate to do so. After consideration of potential risks relating to executive remuneration, the Committee has approved an amendment to the rules of the DASBS to introduce clawback terms to apply to awards made in 2011 and in subsequent years. The clawback terms provide scope for the Committee to reduce or cancel such DASBS awards to the extent that the value of the bonus originally awarded is subsequently deemed to have been overstated as a result of a material mis-statement of the relevant financial statements by which the bonus was originally determined.

The overall structure of the annual bonus plans for the executive directors remains unchanged for 2011.

The table below shows the number of shares under the DASBS held by the executive directors.

	Shares held at 1 January 2010	Shares awarded during 2010	Shares transferred during 2010	**Shares held at 31 December 2010**
M J Roney	118,318	29,724	(37,250)	**110,792**
P L Larmon	71,448	23,268	(23,504)	**71,212**
B M May	65,132	16,300	(20,542)	**60,890**

Notes
a) All awards of shares are made in respect of bonus performance in the previous year. The awards made during the year were made on 1 March 2010 at a value of 680.5p per share.
b) The market values of the shares at the date of transfer in 2010, in each case which related to awards made in 2007 in respect of the 2006 financial year, were as follows: Mr M J Roney £257,437, Mr P L Larmon £162,438 and Mr B M May £141,967.

The Committee also reviews and authorises the outline structure of annual bonus plans for other senior executives within the Group. These plans are based on performance targets relevant to individual businesses or areas of responsibility and are compatible with the principles of the bonus plans approved for the executive directors. All bonus plans in place within the Group are capped.

DIRECTORS' REMUNERATION REPORT continued

Share based incentives
The Committee believes that the long term performance of the Group is an important consideration for shareholders and that share based incentives are an important part of helping to align the interests of shareholders and those employed by the Group. A formal share ownership guideline is in place under which executive directors are expected to retain shareholdings worth at least equal to their base salaries. A period of three years is allowed for executives who are promoted from within the Company to achieve this shareholding with an additional two years permitted in the case of external appointments. Details of the interests of the directors and their connected persons in the share capital of the Company are set out in Note 19 to the financial statements.

The Long Term Incentive Plan (the 'LTIP') was approved by shareholders at the Company's Annual General Meeting in May 2004 under which the executive directors and other senior executives in the Group may be granted share options and awards in respect of performance shares. Participation in the LTIP is at the discretion of the Committee. The Committee periodically reviews the level of grants, taking account of each executive's performance and job responsibilities. Options were granted and performance shares awarded under the LTIP to the executive directors in 2010 in respect of both new issue shares and market purchased shares, some of which are held through the Trust.

The LTIP is divided into two parts. Part A allows the Committee to grant share options. Annual grants may not exceed an amount equal to three times base salary. In normal circumstances options granted are exercisable, subject to satisfaction of the relevant performance condition as referred to below, not earlier than three years and not later than 10 years after the date of grant. Share options granted to date have a performance condition attached based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years. The performance condition for options granted operates on the following sliding scale:

Face value of annual share options granted as a proportion of salary	Total margin over UK inflation after 3 years
First 150% of salary	9%
Next 75% of salary	12%
Next 75% of salary	19%

The performance condition is tested after three years, with no provision for retesting. Accordingly, to the extent the performance condition has not been met after three financial years, the relevant share options will lapse. The performance condition has been satisfied in relation to the options granted prior to 2009 under Part A of the LTIP. The Committee can set different performance conditions from those described above for future options, provided that the new conditions are no less challenging. Similarly the Committee can adjust the performance conditions of existing options to take account of technical changes, for example changes in accounting standards or in the event of a rights issue. The amended condition must be no less challenging as a result of the change. The Committee considers that the current performance condition remains appropriate after taking into consideration the current economic conditions and the performance of the business.

The table below shows the number of share options under the executive share option schemes held by the executive directors.

	Grant date	Exercise price (p)	Options exercisable between	**Options at 31 December 2010**	Options at 1 January 2010
M J Roney	01.11.05	565	01.11.08 – 31.10.15	**180,530**	180,530
	06.03.06	648.5	06.03.09 – 05.03.16	**78,643**	78,643
	01.09.06	652.5	01.09.09 – 31.08.16	**78,500**	78,500
	01.03.07	659	01.03.10 – 28.02.17	**83,000**	83,000
	31.08.07	684.5	31.08.10 – 30.08.17	**79,500**	79,500
	28.02.08	721.5	28.02.11 – 27.02.18	**81,000**	81,000
	29.08.08	700.5	29.08.11 – 28.08.18	**83,000**	83,000
	26.02.09	564	26.02.12 – 25.02.19	**103,500**	103,500
	27.08.09	585	27.08.12 – 26.08.19	**99,500**	99,500
	25.02.10	676.5	25.02.13 – 24.02.20	**89,500**	–
	03.09.10	746	03.09.13 – 02.09.20	**81,000**	–
P L Larmon	27.08.03	446.25	27.08.06 – 26.08.13	**–**	30,000
	03.03.04	451.5	03.03.07 – 02.03.14	**–**	60,000
	01.03.05	500.25	01.03.08 – 28.02.15	**53,200**	53,200
	09.09.05	568	09.09.08 – 08.09.15	**48,411**	48,411
	06.03.06	648.5	06.03.09 – 05.03.16	**38,458**	38,458
	01.09.06	652.5	01.09.09 – 31.08.16	**43,000**	43,000
	01.03.07	659	01.03.10 – 28.02.17	**47,000**	47,000
	31.08.07	684.5	31.08.10 – 30.08.17	**45,000**	45,000
	28.02.08	721.5	28.02.11 – 27.02.18	**44,500**	44,500
	29.08.08	700.5	29.08.11 – 28.08.18	**45,500**	45,500
	26.02.09	564	26.02.12 – 25.02.19	**56,500**	56,500
	27.08.09	585	27.08.12 – 26.08.19	**54,500**	54,500
	25.02.10	676.5	25.02.13 – 24.02.20	**48,500**	–
	03.09.10	746	03.09.13 – 02.09.20	**44,000**	–
B M May	27.08.03	446.25	27.08.06 – 26.08.13	**–**	13,278
	03.03.04	451.5	03.03.07 – 02.03.14	**–**	20,000
	01.03.05	500.25	01.03.08 – 28.02.15	**–**	10,000
	09.09.05	568	09.09.08 – 08.09.15	**20,000**	20,000
	06.03.06	648.5	06.03.09 – 05.03.16	**32,382**	32,382
	01.09.06	652.5	01.09.09 – 31.08.16	**32,500**	32,500
	01.03.07	659	01.03.10 – 28.02.17	**34,000**	34,000
	31.08.07	684.5	31.08.10 – 30.08.17	**33,000**	33,000
	28.02.08	721.5	28.02.11 – 27.02.18	**33,000**	33,000
	29.08.08	700.5	29.08.11 – 28.08.18	**42,500**	42,500
	26.02.09	564	26.02.12 – 25.02.19	**53,000**	53,000
	27.08.09	585	27.08.12 – 26.08.19	**51,000**	51,000
	25.02.10	676.5	25.02.13 – 24.02.20	**46,000**	–
	03.09.10	746	03.09.13 – 02.09.20	**41,500**	–

Notes

a) The following executive share options were exercised during 2010 by:
   (i) Mr P L Larmon on 25 March 2010 in respect of 30,000 ordinary shares at an exercise price of 446.25p (market price 740p) and on 8 October 2010 in respect of 60,000 ordinary shares at an exercise price of 451.5p (market price 756p); and
   (ii) Mr B M May on 31 March 2010 in respect of 13,278 ordinary shares at an exercise price of 446.25p, 20,000 ordinary shares at an exercise price of 451.5p and 10,000 ordinary shares at an exercise price of 500.25p (market price 722p).

b) The mid-market price of a share on 31 December 2010 was 719p and the range during 2010 was 616.5p to 777p.

c) The performance condition has been satisfied in relation to options granted prior to 2009 under Part A of the LTIP.

DIRECTORS' REMUNERATION REPORT continued

Part B of the LTIP allows the Committee to make an award of performance shares which is a conditional right to receive shares in the Company for nil consideration. Annual awards may not exceed an amount equal to two times base salary. A performance share award will normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance conditions have been satisfied and will remain capable of being exercised for the three year period following the date on which it vests.

The extent to which one half of the awards may vest is subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified group of companies (the 'Peer Group'). The process for identifying the Peer Group is the same as that used for identifying the comparator group for the setting of base pay as described under 'Remuneration policy' on page 32. These performance share awards vest in full only if the Company's TSR performance is ranked at upper quartile within the Peer Group and the following vesting schedule is applied:

TSR	Proportion of performance share awards exercisable
Below median	Nil
Median	25%
Median to upper quartile	Pro rata between 25% – 100%
Upper quartile	100%

The companies currently within the Peer Group are:

Aegis Group
Aggreko
AMEC
Autonomy Corp
BAE Systems
Burberry
Cable & Wireless Communications
Cobham
Computacenter
Croda International
Experian
GKN
G4S
IMI
Inchcape
Informa
Inmarsat
Intertek
Invensys
Johnson Matthey
Kesa Electricals
Logica
Meggitt
Millennium & Copthorne Hotels
Mondi
Misys
Pearson
Reckitt Benckiser
Reed Elsevier
Rentokil Initial
Rexam
Sage Group
SIG
Smith & Nephew
Smiths Group
Tate & Lyle
Thomas Cook Group
Tui Travel
United Business Media
Weir Group
WPP

The performance condition relating to TSR for all awards under Part B of the LTIP provides for the exclusion from the comparator group of those companies that cease to be listed and the exclusion of those companies that have been subject to a recommended takeover offer and are therefore in the process of delisting. Where companies are excluded from the comparator group, the median/upper quartile rankings are recalculated using the reduced number of companies in the comparator group.

The extent to which the other half of awards may vest is subject to a performance condition based on the Company's eps growth (adjusted to exclude items which do not reflect the Company's underlying financial performance) relative to UK inflation (RPI) over three years. This performance condition operates on the following sliding scale:

Total margin over UK inflation after 3 years	Proportion of performance share awards exercisable
Below 12%	Nil
12%	25%
Between 12% and 33%	Pro rata between 25% – 100%
Over 33%	100%

The performance conditions are tested after three years, with no provision for retesting. Accordingly, to the extent the performance conditions have not been met after three years, the relevant performance share awards lapse. As with share option grants, the Committee reviews the performance conditions each time performance share awards are made in order to ensure that they remain challenging and may impose different conditions on performance share awards made in subsequent years provided that any new conditions are no less challenging. The Committee considers that the current performance conditions remain appropriate after taking into consideration the current economic conditions and the performance of the business.

The table below shows the number of performance share awards under the LTIP, all for nil consideration, allocated to the executive directors.

	Award date	Awards (shares) held at 1 January 2010	Conditional shares awarded during 2010	Awards (shares) vested during 2010	Awards (shares) lapsed during 2010	**Awards (shares) held at 31 December 2010**
M J Roney	02.04.07	50,500	–	30,726	19,774	**–**
	19.10.07	51,000	–	35,562	15,438	**–**
	17.04.08	56,000	–	–	–	**56,000**
	07.10.08	67,500	–	–	–	**67,500**
	23.04.09	90,000	–	–	–	**90,000**
	02.10.09	69,500	–	–	–	**69,500**
	01.04.10	–	63,000	–	–	**63,000**
	08.10.10	–	60,000	–	–	**60,000**
P L Larmon	02.04.07	32,500	–	19,774	12,726	**–**
	19.10.07	32,500	–	22,662	9,838	**–**
	17.04.08	34,500	–	–	–	**34,500**
	07.10.08	37,000	–	–	–	**37,000**
	23.04.09	49,500	–	–	–	**49,500**
	02.10.09	38,500	–	–	–	**38,500**
	01.04.10	–	34,500	–	–	**34,500**
	08.10.10	–	32,500	–	–	**32,500**
B M May	02.04.07	23,500	–	14,298	9,202	**–**
	19.10.07	24,000	–	16,735	7,265	**–**
	17.04.08	26,000	–	–	–	**26,000**
	07.10.08	34,500	–	–	–	**34,500**
	23.04.09	46,000	–	–	–	**46,000**
	02.10.09	36,000	–	–	–	**36,000**
	01.04.10	–	32,500	–	–	**32,500**
	08.10.10	–	31,000	–	–	**31,000**

Notes

a) Performance share awards were made on 1 April 2010 to Mr M J Roney of 63,000 shares, Mr P L Larmon of 34,500 shares and Mr B M May of 32,500 shares at a value of 721p per share and on 8 October 2010 to Mr M J Roney of 60,000 shares, Mr P L Larmon of 32,500 shares and Mr B M May of 31,000 shares at a value of 759p per share.

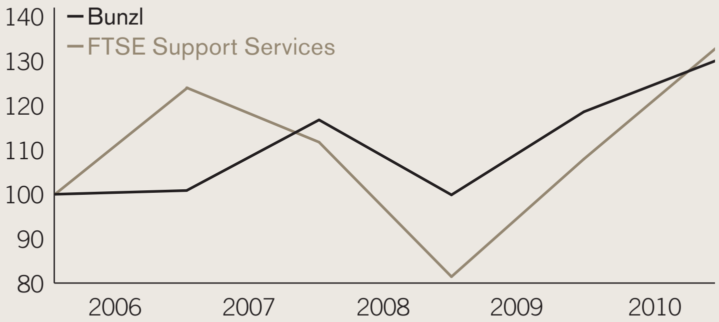
b) During the year the Committee approved the acceleration of the vesting of the awards granted under Part B of the LTIP on 2 April 2007 by one day to 1 April 2010. No changes were made to the performance conditions and the periods over which they were measured.

c) On 1 April 2010 the Committee determined that the TSR performance condition attaching to half of the performance share awards made on 2 April 2007 had been satisfied to the extent that 46% of the original awards (23% of the total awards) had vested and that the eps performance condition attaching to the other half of the performance share awards had also been satisfied to the extent that 76% of such awards (38% of the total awards) had vested with the remainder of such awards lapsing. The closing mid-market price of the Company's shares as at the date of vesting was 740p per share. The following awards were subsequently exercised by:
   (i) Mr M J Roney on 1 April 2010 in respect of 30,726 shares at a market price of 738p;
   (ii) Mr P L Larmon on 1 April 2010 in respect of 19,774 shares at a market price of 738p; and
   (iii) Mr B M May on 1 April 2010 in respect of 14,298 shares at a market price of 738p.

d) On 19 October 2010 the Committee determined that the TSR performance condition attaching to half of the performance share awards made on 19 October 2007 had been satisfied to the extent that 64% of the original awards (32% of the total awards) had vested and that the eps performance condition attaching to the other half of the performance share awards had been satisfied to the extent that 76% of such awards (38% of the total awards) had vested with the remainder of such awards lapsing. The closing mid-market price of the Company's shares as at the date of vesting was 760.5p per share. The following awards were subsequently exercised by:
   (i) Mr M J Roney on 19 October 2010 in respect of 35,562 ordinary shares at a market price of 765p;
   (ii) Mr P L Larmon on 19 October 2010 in respect of 22,662 ordinary shares at a market price of 765p; and
   (iii) Mr B M May on 19 October 2010 in respect of 16,735 ordinary shares at a market price of 765p.

DIRECTORS' REMUNERATION REPORT continued

Any shares required to fulfil entitlements under the share based incentive schemes in respect of options and awards over market purchased shares will be provided by the Trust. The Company's TSR over the last five years compared to that of the FTSE Support Services Sector is shown below.



Source: Datastream

The UK based executive directors may also participate in a Sharesave Scheme which was approved by shareholders in 2001, is approved by HM Revenue & Customs and is open to all UK employees who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted. The following table sets out the number of share options under the Sharesave Scheme held by the UK based executive directors.

	Exercise price (p)	Options exercisable between	**Options at 31 December 2010**	Options at 1 January 2010
M J Roney	522	01.11.11 – 30.04.12	**3,136**	3,136
B M May	452	01.05.14 – 31.10.14	**3,462**	3,462

The current Sharesave Scheme will expire in May 2011. A resolution is to be put to shareholders at the forthcoming Annual General Meeting to approve the adoption of a new Sharesave Scheme which will operate on a similar basis.

Based on the authority obtained at the 2001 Annual General Meeting, the Company introduced the International Sharesave Plan during 2002 and the Irish Sharesave Plan in 2006. These operate on a similar basis to the Sharesave Scheme except that options are normally exercisable three years after they have been granted. None of the executive directors are eligible to participate in these Plans. Since both these Plans are linked to the Sharesave Scheme in the UK they will also expire in May 2011. Subject to shareholders approving the adoption of a new Sharesave Scheme at the forthcoming Annual General Meeting, the Company proposes to renew the International Sharesave Plan and the Irish Sharesave Plan on similar bases to the existing Plans.

US based executive directors may participate in the Bunzl Employee Stock Purchase Plan (US) ('ESPP'). The ESPP provides an opportunity for employees in the US to purchase the Company's shares at a 15% discount to the market price, up to an annual maximum of 10% of remuneration or US$25,000 worth of shares, whichever is lower. The purchase of the shares is funded by after tax payroll deductions from the employee with the employing company contributing the 15% discount. Shares held by Mr P L Larmon under the ESPP are included in his ordinary share interests set out in Note 19 to the consolidated financial statements. Although not required under the Financial Services Authority's Listing Rules (since the ESPP only operates over market purchased shares and not new issue shares), a resolution is to be put to shareholders at the forthcoming Annual General Meeting to approve the adoption of a new ESPP for the purposes of s.423 of the United States Internal Revenue Code which will operate on a similar basis to the previous ESPP which has now expired.

Retirement benefits
As stated in the Accounting policies section of the consolidated financial statements and elaborated upon in Note 20, the Group utilises both defined benefit and defined contribution pension schemes throughout the world. All defined benefit schemes have been closed since 2003 to new entrants who are offered a defined contribution arrangement.

In the UK the Group has historically operated the Bunzl Senior Pension Scheme section of the Bunzl Pension Plan ('BSPS') as its main contributory scheme for senior executives. BSPS provides for members' contributions currently at the rate of 9% of pensionable salary (which is base salary) with the Group being responsible for the balance of the cost of providing the benefit as determined from time to time by the consulting actuaries to BSPS. Subject to HM Revenue & Customs limits, BSPS members are eligible for a pension which accrues at a maximum rate of 3% per annum up to two thirds of pensionable salary, with a normal retirement age of 60 years. BSPS also provides for payment of certain benefits in the event of death or disability. Due to the cap on pensionable salary introduced in the Finance Act 1989, which has been maintained by the Company notwithstanding the changes introduced to the legislation with effect from April 2006, the amount of direct contribution by the Company to defined benefit pension schemes for the UK executive director who is a member of BSPS is limited. Arrangements have therefore been made to provide that executive director with an allowance of 30% of base salary above the cap which permits him to make provision, of his choice, in respect of that part of his salary which exceeds the cap. The other UK executive director and any UK executive director newly appointed to the Group is offered a pension allowance of 30% of base salary and has the choice of joining the Defined Contribution Section of the Bunzl Pension Plan ('DC Section') or to opt for a private pension scheme or other investment vehicle. Company contributions to the DC Section match employee contributions but are limited to a maximum of 5% of base salary up to the pensionable salary cap. The Company also provides lump sum life assurance cover of four times base salary.

In the US the main scheme for employees is the non-contributory Bunzl USA, Inc Retirement Plan (the 'US Plan'). Subject to IRS limits, members of the US Plan earn a lifetime pension which accrues at a rate of 1.67% per annum, up to 50% of the five year average pensionable salary less the primary social security benefit, with a normal retirement age of 65 years. Pensionable salary in the US Plan is capped at US$140,000. The US Plan also provides for certain benefits in the event of death or disability. On closure of the US Plan to new entrants all existing participating employees had the choice to continue in the existing scheme or freeze their benefit and join a defined contribution plan, the Retirement Saving Benefit (the 'RSB'). Contributions to the RSB are fully funded by the employer on a sliding scale that is age related. The contributions are a percentage of base salary (maximum 5%) which is capped at US$200,000 per annum. Because of the cap on pensionable salary under the US Plan and the RSB, the pensions of senior US executives are limited and arrangements have been made to provide certain executives with supplementary pensions through a Senior Executive Retirement Agreement ('SERA'). Mr P L Larmon's SERA provides for a lifetime pension of US$100,000 per annum, payable upon retirement. In 2007, the SERA arrangement was closed to new entrants and a new defined contribution SERA ('DC SERA') was put in place.

Directors' service contracts and terms of appointment

It is the Company's policy that executive directors are normally employed on contracts that provide for 12 months' notice from the Company and six months' notice from the executive. For the UK executive directors there is no predetermined compensation for termination of these contracts. Mr P L Larmon's contract provides that on termination by the Company without cause he is entitled to receive payment of 12 months' base salary plus health insurance coverage, reduced by any interim earnings. There are no provisions for any of the directors for predetermined compensation in excess of one year's remuneration and benefits in-kind. The date of each service contract is noted in the table below.

	Date of service contract
M J Roney	1 September 2005
P L Larmon	1 January 2005
B M May	9 December 2005

With the specific approval of the Board in each case, executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them. Mr M J Roney served as a non-executive director of Johnson Matthey Plc throughout 2010 and retained fees of £48,750. Neither of the other executive directors hold any such appointments.

In common with many senior executives in the Group, the executive directors are eligible for certain benefits which include the provision of a company car and payment of its operating expenses, or a cash allowance in lieu thereof, in line with prevailing Group policies and, in the case of Mr M J Roney and Mr B M May, private medical plan coverage under the Company's prevailing UK healthcare plan. Mr P L Larmon participates in welfare benefit plans made available to all US employees of the Group covering life, medical, dental and disability insurance.

The Chairman and the non-executive directors are paid annual fees for their services. In addition, where relevant, the non-executive directors are paid a fee for chairing the Audit and Remuneration Committees of the Board. Neither the Chairman nor the non-executive directors have service contracts and they are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option, long term incentive or benefit plans. The Chairman's fee is reviewed biennially and is next due for review in January 2012. The non-executive directors' fees are reviewed annually. The non-executive directors' fees were reviewed in January 2011 and were not increased. The fee for the Chairman is determined by the Remuneration Committee and the fees for the non-executive directors are determined by the Board.

DIRECTORS' REMUNERATION REPORT continued

Directors' remuneration
The following table gives details of each director's remuneration for the year.

	Salary/fees 2010 £000	Annual cash bonus 2010 £000	Pension allowance 2010 £000	Benefits 2010 £000	Total 2010 £000	Total 2009 £000
Executive						
M J Roney	**805.0**	**328.4**	**235.3**	**16.6**	**1,385.3**	1,228.6
P L Larmon	**590.3**	**226.3**	**–**	**14.6**	**831.2**	735.6
B M May	**442.0**	**180.3**	**95.5**	**16.4**	**734.2**	643.2
Non-executive						
P G Rogerson	**300.0**	**–**	**–**	**–**	**300.0**	
C A Banks	**71.0**	**–**	**–**	**–**	**71.0**	68.0
U Wolters	**60.0**	**–**	**–**	**–**	**60.0**	58.0
P W Johnson	**70.7**	**–**	**–**	**–**	**70.7**	58.0
D J R Sleath	**71.0**	**–**	**–**	**–**	**71.0**	68.0
Former non-executive						
J F Harris	**45.0**	**–**	**–**	**–**	**45.0**	172.0
	2,455.0	**735.0**	**330.8**	**47.6**	**3,568.4**	3,031.4

Notes

a) The figures above represent remuneration earned as directors during the relevant financial year including, in the case of the executive directors, the cash element of the bonus, which is paid in the year following that in which it is earned. The deferred element of the bonus is conditionally allocated as shares as described on page 33 and is not included in the table above. Shares relating to the 2009 bonus were allocated in 2010 as shown in the table on page 33 and for the 2010 bonus will be allocated in 2011.

b) The remuneration for Mr P L Larmon is paid or determined in US dollars and has been translated at the average exchange rates for the year of £1: US$1.55 in respect of 2010 and £1: US$1.57 in respect of 2009.

c) The 2010 fees paid to Mr J F Harris in his capacity as Interim Chairman and senior independent director relate to the period 1 January 2010 to 28 February 2010 (the date of his retirement from the Board).

d) Mr P G Rogerson joined the Board on 1 January 2010 as Chairman designate and assumed the role of Chairman on 1 March 2010.

e) Mr M J Roney is a member of the DC Section of the Bunzl Pension Plan. The Company makes matching contributions to the DC Section. During 2010 such contributions for Mr M J Roney amounted to £6,180 (2009: £6,105). In addition he received a pension allowance of 30% of base salary less the Company's contribution to the DC Section, as shown in the above table. The values of the pension benefits for the other executive directors are shown in the following table and are not included in the directors' remuneration table above. In addition in 2010 in respect of Mr P L Larmon the Company paid all necessary contributions, on actuarial advice, to the SERA which amounted to £79,913 (2009: £71,271). This increase is solely attributable to inflation and foreign exchange translation. The Company also paid £187,097 (2009: £184,713) into the DC SERA. Mr B M May receives a pension allowance of 30% of that part of his base salary which is not pensionable under BSPS.

f) In addition to the remuneration paid to the directors in 2009 shown above, Mr A J Habgood, who retired as Chairman on 30 June 2009, received remuneration of £204,993 in respect of the period from 1 January 2009 to 30 June 2009.

	Accrued benefits at 31.12.09 per annum £	Accrued benefits at 31.12.10 per annum £	Transfer value of accrued benefits at 31.12.09 £	Change in transfer value of accrued benefits during the year £	Transfer value of accrued benefits at 31.12.10 £
P L Larmon*	16,227	16,641	104,285	16,904	121,189
B M May	39,435	42,390	526,742	89,866	627,732

*Excluding SERA entitlements.

Notes

a) Of the additional benefits accrued since 1 January 2010, the increases attributable to factors other than inflation or foreign exchange translation were £1,732 for Mr B M May and £nil for Mr P L Larmon.

b) Pension accruals shown are the amounts accrued based on service with Bunzl plc or its subsidiaries.

c) The changes in the transfer values of accrued benefits have been calculated on the basis of actuarial advice in accordance with any relevant actuarial legislation and, in the case of Mr B M May, are net of his contributions. The change in the transfer value of accrued benefits for Mr B M May includes the effect of fluctuation in the transfer value due to factors beyond the control of the Company and the directors, such as changes in market conditions.

d) Mr P L Larmon's benefits under the US Plan are frozen. Mr P L Larmon is now a member of the RSB to which the Company has made contributions in 2010 of £6,452 (2009: £6,369).

e) In addition Mr P L Larmon participates in the Bunzl USA, Inc Deferred Savings (401k) Plan. The Company makes matching contributions to this Plan. During 2010 such contributions for Mr P L Larmon amounted to £7,113 (2009: £7,022).

On behalf of the Board
C A Banks
Chairman of the Remuneration Committee
28 February 2011

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Revenue	3	**4,829.6**	4,648.7
Operating profit before intangible amortisation and acquisition related costs	3	**306.7**	295.7
Intangible amortisation and acquisition related costs	3	**(51.0)**	(41.8)
Operating profit	3	**255.7**	253.9
Finance income	5	**20.3**	16.8
Finance cost	5	**(50.8)**	(54.7)
Profit before income tax		**225.2**	216.0
Profit before income tax, intangible amortisation and acquisition related costs		**276.2**	257.8
UK income tax		**1.6**	(12.1)
Overseas income tax		**(67.8)**	(55.0)
Total income tax	6	**(66.2)**	(67.1)
Profit for the year attributable to the Company's equity holders		**159.0**	148.9
Earnings per share attributable to the Company's equity holders			
Basic	7	**49.1p**	46.4p
Diluted	7	**48.8p**	46.3p

The Accounting policies and Notes on pages 46 to 73 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit for the year		**159.0**	148.9
Other comprehensive income			
Actuarial loss on pension schemes	20	**(2.5)**	(19.3)
Movement in pension schemes' minimum funding liabilities	20		5.5
Foreign currency translation differences for foreign operations		**1.1**	(55.4)
Gain taken to equity as a result of designated effective net investment hedges		**2.3**	8.9
Gain/(loss) recognised in cash flow hedge reserve		**0.4**	(6.3)
Movement from cash flow hedge reserve to income statement		**1.4**	7.5
Income tax credit on other comprehensive income	6	**2.0**	7.8
Other comprehensive income/(expense) for the year		**4.7**	(51.3)
Total comprehensive income for the year attributable to the Company's equity holders		**163.7**	97.6

CONSOLIDATED BALANCE SHEET
at 31 December 2010

	Notes	2010 £m	2009 £m
Assets			
Property, plant and equipment	8	**118.1**	102.8
Intangible assets	9	**1,244.6**	1,196.6
Investment in associates		**0.5**	0.5
Derivative assets	13	**25.1**	28.8
Deferred tax assets	15	**5.9**	6.9
Total non-current assets		**1,394.2**	1,335.6
Inventories	10	**482.0**	429.3
Income tax receivable		**6.2**	6.5
Trade and other receivables	11	**690.8**	677.9
Derivative assets	13	**1.3**	0.9
Cash and deposits	23	**83.9**	57.9
Total current assets		**1,264.2**	1,172.5
Total assets		**2,658.4**	2,508.1
Equity			
Share capital	16	**113.3**	113.0
Share premium		**133.9**	131.7
Translation reserve		**57.5**	52.7
Other reserves		**9.8**	8.5
Retained earnings		**481.9**	368.2
Total equity attributable to the Company's equity holders		**796.4**	674.1
Liabilities			
Interest bearing loans and borrowings	23	**691.5**	780.3
Retirement benefit obligations	20	**52.3**	59.8
Other payables		**7.9**	8.0
Derivative liabilities	13	**2.2**	2.6
Provisions	14	**35.5**	40.7
Deferred tax liabilities	15	**115.4**	104.0
Total non-current liabilities		**904.8**	995.4
Bank overdrafts	23	**9.0**	14.9
Interest bearing loans and borrowings	23	**126.2**	7.7
Income tax payable		**46.4**	59.4
Trade and other payables	12	**766.3**	744.4
Derivative liabilities	13	**0.7**	1.9
Provisions	14	**8.6**	10.3
Total current liabilities		**957.2**	838.6
Total liabilities		**1,862.0**	1,834.0
Total equity and liabilities		**2,658.4**	2,508.1

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 28 February 2011 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2010	113.0	131.7	52.7	2.5	8.6	(2.6)	(213.0)	581.2	674.1
Profit for the year								159.0	159.0
Actuarial loss on pension schemes								(2.5)	(2.5)
Foreign currency translation differences for foreign operations			1.1						1.1
Gain taken to equity as a result of designated effective net investment hedges			2.3						2.3
Gain recognised in cash flow hedge reserve						0.4			0.4
Movement from cash flow hedge reserve to income statement						1.4			1.4
Income tax credit/(charge) on other comprehensive income			1.4			(0.5)		1.1	2.0
Total comprehensive income			4.8			1.3		157.6	163.7
2009 interim dividend								(20.2)	(20.2)
2009 final dividend								(45.9)	(45.9)
Issue of share capital	0.3	2.2							2.5
Employee trust shares							13.5		13.5
Share based payments								8.7	8.7
At 31 December 2010	**113.3**	**133.9**	**57.5**	**2.5**	**8.6**	**(1.3)**	**(199.5)**	**681.4**	**796.4**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves: Merger £m	Other reserves: Capital redemption £m	Other reserves: Cash flow hedge £m	Retained earnings: Own shares £m	Retained earnings: Earnings £m	Total equity £m
At 1 January 2009	112.6	126.6	96.0	2.5	8.6	(4.9)	(215.8)	503.6	629.2
Profit for the year								148.9	148.9
Actuarial loss on pension schemes								(19.3)	(19.3)
Movement in pension schemes' minimum funding liabilities								5.5	5.5
Foreign currency translation differences for foreign operations			(55.4)						(55.4)
Gain taken to equity as a result of designated effective net investment hedges			8.9						8.9
Loss recognised in cash flow hedge reserve						(6.3)			(6.3)
Movement from cash flow hedge reserve to income statement						7.5			7.5
Income tax credit on other comprehensive income			3.2			1.1		3.5	7.8
Total comprehensive (expense)/income			(43.3)			2.3		138.6	97.6
2008 interim dividend								(20.6)	(20.6)
2008 final dividend								(45.3)	(45.3)
Issue of share capital	0.4	5.1							5.5
Employee trust shares							2.8		2.8
Share based payments								4.9	4.9
At 31 December 2009	113.0	131.7	52.7	2.5	8.6	(2.6)	(213.0)	581.2	674.1

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Cash flow from operating activities			
Profit before income tax		**225.2**	216.0
Adjustments:			
depreciation		**25.5**	23.5
intangible amortisation and acquisition related costs		**51.0**	41.8
share based payments		**4.7**	4.6
Working capital movement		**(12.7)**	17.5
Finance income		**(20.3)**	(16.8)
Finance cost		**50.8**	54.7
Provisions and pensions		**(19.1)**	(17.4)
Other		**2.5**	(1.1)
Cash generated from operations		**307.6**	322.8
Cash outflow from acquisition related costs		**(5.6)**	
Income tax paid		**(79.7)**	(75.0)
Cash inflow from operating activities		**222.3**	247.8
Cash flow from investing activities			
Interest received		**2.6**	1.6
Purchase of property, plant and equipment		**(23.4)**	(23.9)
Sale of property, plant and equipment		**1.3**	3.0
Purchase of businesses	24	**(105.0)**	(6.4)
Cash outflow from investing activities		**(124.5)**	(25.7)
Cash flow from financing activities			
Interest paid		**(33.8)**	(37.0)
Dividends paid		**(66.1)**	(62.3)
Increase/(decrease) in loans		**15.1**	(131.5)
Realised gains/(losses) on foreign exchange contracts		**5.3**	(7.3)
Net proceeds from employee shares		**11.8**	3.5
Cash outflow from financing activities		**(67.7)**	(234.6)
Exchange gain/(loss) on cash and cash equivalents		**1.8**	(2.0)
Increase/(decrease) in cash and cash equivalents		**31.9**	(14.5)
Cash and cash equivalents at start of year		**43.0**	57.5
Increase/(decrease) in cash and cash equivalents		**31.9**	(14.5)
Cash and cash equivalents at end of year	23	**74.9**	43.0

NOTES

1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2010 have been approved by the directors and prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'). The consolidated financial statements have been prepared on a going concern basis (as referred to in the Directors' report on page 25) and under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

IFRS 3 'Business Combinations' was revised with effect from 1 January 2010, the principal effect of which for the Group has been to change the accounting treatment of certain acquisition related costs. IFRS 3 now requires that transaction costs and expenses such as professional fees are expensed and charged to the income statement and that adjustments to deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired are also recognised in the income statement. Prior to 1 January 2010 these items were treated as part of the cost of investment and, as a result, were capitalised with any subsequent changes being accounted for as an adjustment to goodwill. In accordance with the revised requirements of IFRS 3, the comparative figures for the year ended 31 December 2009 have not been restated.

The accounting policies set out below have, unless otherwise stated, been applied to all periods presented in the consolidated financial statements.

2 Accounting policies

a Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired. The excess of the consideration (excluding payments contingent on future employment) over the fair value of the identifiable net assets acquired is recorded as goodwill. IFRS 3 (revised) requires that any payments that are contingent on future employment and transaction costs and expenses such as professional fees are charged to the income statement.

(ii) Associates

Associates are entities over which the Group is in a position to exercise significant influence. Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses of associates.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

b Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement, unless they qualify for cash flow or net investment hedge accounting treatment, in which case the effective portion is recognised directly in a separate component of equity.

Assets and liabilities of foreign operations are translated at the exchange rate prevailing at the balance sheet date. Income and expenses of foreign operations are translated at average exchange rates. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments designated as hedges of such investments, are recognised directly in a separate component of equity. Differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity.

c Financial instruments

Under IAS 39 'Financial Instruments: Recognition and Measurement', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. Other financial assets and liabilities are held at amortised cost unless they are in a fair value hedging relationship. Derivative financial instruments are used to hedge exposures to foreign exchange and interest rate risks.

(i) Fair value hedge

Where a derivative financial instrument is designated and qualifies as a hedge of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged with changes recognised in the income statement.

2 Accounting policies continued

(ii) Cash flow hedge

Where a derivative that is designated and qualifies as a hedge is used to hedge forecast transactions, any effective portion of the change in fair value is recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period when the hedged item affects profit or loss.

(iii) Hedge of a net investment in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity to the extent the hedge is effective. To the extent that the hedge is ineffective such differences are recognised in the income statement.

d Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

e Depreciation

Depreciation is provided on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. This is applied at the following annual rates:

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Plant and machinery	10 – 20%
Fixtures, fittings and equipment	10 – 33%
Freehold land	Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

f Intangible assets

(i) Goodwill

Acquisitions are accounted for using the purchase method. As permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards', the Group has chosen to apply IFRS 3 'Business Combinations' from 1 January 2004 and has elected not to restate previous business combinations. For acquisitions made before 1 January 2004, goodwill represents the amount previously recorded under UK GAAP. For acquisitions that occurred between 1 January 2004 and 31 December 2009, goodwill represents the cost of the business combination in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. For acquisitions that have occurred on or after 1 January 2010, goodwill represents the cost of the business combination (excluding payments contingent on future employment and acquisition related costs) in excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the income statement.

(ii) Other intangible assets

Intangible assets acquired in a business combination are recognised on acquisition and recorded at fair value. These principally relate to customer relationships and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful economic lives (which range from 10 to 19 years).

g Leases

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight line basis over the term of the relevant lease. Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings due to the indefinite life of land.

h Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. The recoverable amounts of assets carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at appropriate pre-tax discount rates. Receivables with a short term duration are not discounted. The recoverable amounts of other assets are the greater of their fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates. Impairment losses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, with impairment losses being recognised in the income statement.

i Inventories

Inventories are valued at the lower of cost and net realisable value.

j Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank overdrafts and short term deposits with maturities of three months or less from the date the deposit is made.

NOTES continued

2 Accounting policies continued

k Trade and other receivables
Trade and other receivables are stated at cost less any impairment losses. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or uncertainty as to whether the Group will be able to collect all such amounts. Receivables with a short term duration are not discounted.

l Trade and other payables
Trade and other payables are stated at cost. Payables with a short term duration are not discounted.

m Income tax
Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except when it relates to items reflected in equity when it is recognised in equity.

Current tax reflects tax payable on taxable income for the year using rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences arising between tax bases and carrying amounts in the consolidated financial statements. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the forseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any asset can be utilised.

n Revenue
The Group is engaged in the delivery of goods to customers. Revenue from a sale is recognised in the income statement upon delivery of the relevant goods, which is the point in time at which the significant risks and rewards of ownership of the goods are transferred.

Revenue is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant.

Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

o Employee benefits
(i) Defined contribution pension schemes
Obligations for contributions to defined contribution pension schemes are charged as an expense to the income statement as incurred.

(ii) Defined benefit pension schemes
Pension liabilities are recognised in the consolidated balance sheet and represent the difference between the fair value of scheme assets and the present value of scheme liabilities. Scheme liabilities are determined on an actuarial basis using the projected unit method and discounted using the rate applicable to AA rated corporate bonds that have a similar maturity to the scheme liabilities.

Current service cost, past service cost/credit and gains and losses on any settlements and curtailments are credited or charged to the income statement. Past service cost is recognised immediately to the extent benefits are already vested or is otherwise amortised on a straight line basis over the average period until the benefits are vested. The unwinding of the discount on scheme liabilities is recognised within finance cost and the expected return on scheme assets generated during the year is included within finance income.

Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income.

p Investment in own shares
The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

q Share based payments

The Group operates equity settled and cash settled share based compensation plans. Details of these plans are outlined in Note 16 and the Directors' remuneration report. As permitted by IFRS 1, on transition to IFRS the Group elected not to apply IFRS 2 'Share-based Payment' to equity instruments granted on or before 7 November 2002. For equity settled plans the total expected expense is based on the fair value of options and other share based incentives on the grant date calculated using a valuation model and is spread over the expected vesting period with a corresponding credit to equity. For cash settled plans the total expected expense is based on the fair value of options, determined at the appropriate balance sheet date, and is remeasured at each balance sheet date thereafter with a corresponding credit recognised as a liability. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is due only to not achieving the non-market conditions for vesting. On 25 August 2010 the Group converted its cash settled share options to equity settled share options.

r Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the Group's obligations under the contract.

s Net debt

Net debt is defined as interest bearing loans and borrowings and the fair value of interest rate swaps on fixed interest rate borrowings, less cash and cash equivalents.

t Dividends

The interim dividend is recognised in the Consolidated Statement of Changes in Equity in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

Critical accounting judgements and estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

a Pension benefits

The cost of defined benefit pension schemes and the present value of the obligations relating thereto are determined using actuarial valuations appropriate for each country where defined benefit pension schemes are provided. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. In determining the appropriate discount rates, management considers the interest rates of corporate bonds with an AA rating in the relevant country. Future salary increases and future pension increases are based on expected future inflation rates for each country. Mortality rates are based on the relevant mortality tables for each country. Further details about the assumptions used are set out in Note 20.

b Intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance and customer attrition rates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Further details about the assumptions used are set out in Note 9.

c Revenue recognition

Revenue represents sales to third parties for goods sold and is valued at invoiced amount, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant. Returns' provisions are based on experience over an appropriate period whereas volume and early settlement discounts are based on agreements with customers.

NOTES continued

2 Accounting policies continued

d Acquisitions

Acquisitions are accounted for using the purchase method based on the fair value of the consideration paid. Assets and liabilities are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values.

Determining the fair values of assets and liabilities acquired involves the use of significant estimates and assumptions (including discount rates, asset lives and recoverability). Assets and liabilities are measured at fair value and the value of freehold properties is typically determined by qualified valuers on an open market basis.

Management believes that estimates made in previous years have been materially accurate as any changes made in the allocation period following acquisition to finalise provisional fair value adjustments made in the year of acquisition have not been material.

e Tax

The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes, deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised.

New accounting standards and interpretations

The Group does not consider that any other standards or interpretations issued by the International Accounting Standards Board ('IASB') but not yet applicable will have a significant impact on the consolidated financial statements.

3 Segment analysis

Year ended 31 December 2010	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**2,621.0**	**1,007.1**	**936.4**	**265.1**		**4,829.6**
Operating profit/(loss) before intangible amortisation and acquisition related costs	**160.2**	**59.5**	**79.9**	**23.8**	**(16.7)**	**306.7**
Intangible amortisation	**(7.5)**	**(7.8)**	**(24.2)**	**(4.0)**	**–**	**(43.5)**
Acquisition related costs	**(1.0)**	**–**	**(6.2)**	**(0.3)**	**–**	**(7.5)**
Operating profit/(loss)	**151.7**	**51.7**	**49.5**	**19.5**	**(16.7)**	**255.7**
Finance income						**20.3**
Finance cost						**(50.8)**
Profit before income tax						**225.2**
Profit before income tax, intangible amortisation and acquisition related costs						**276.2**
Income tax						**(66.2)**
Profit for the year						**159.0**
Capital expenditure	**4.6**	**7.2**	**10.2**	**1.3**	**0.1**	**23.4**
Depreciation	**6.2**	**8.2**	**9.3**	**1.6**	**0.2**	**25.5**

Year ended 31 December 2009	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Corporate £m	Total £m
Revenue	2,454.1	1,068.4	910.2	216.0		4,648.7
Operating profit/(loss) before intangible amortisation	155.3	57.8	81.7	17.0	(16.1)	295.7
Intangible amortisation	(7.3)	(7.9)	(23.2)	(3.4)	–	(41.8)
Operating profit/(loss)	148.0	49.9	58.5	13.6	(16.1)	253.9
Finance income						16.8
Finance cost						(54.7)
Profit before income tax						216.0
Profit before income tax and intangible amortisation						257.8
Income tax						(67.1)
Profit for the year						148.9
Capital expenditure	6.1	7.1	9.2	1.4	0.1	23.9
Depreciation	6.4	8.6	6.8	1.5	0.2	23.5

Acquisition related costs for the year ended 31 December 2010 include transaction costs and expenses of £5.5m and deferred consideration payments of £2.0m which are contingent on the continued employment of former owners of businesses acquired.

The Group is managed through four business areas based on geographic regions which represent the reporting segments under IFRS 8. The revenue presented relates to external customers. Sales between the business areas are not material. Each of the business areas supplies a range of products to customers operating primarily in the foodservice, grocery, cleaning & safety, non-food retail and healthcare market sectors. The performance of the four business areas is assessed by reference to operating profit before intangible amortisation and acquisition related costs and this measure also represents the segment results for the purposes of reporting in accordance with IFRS 8. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas. In accordance with the provisions of IFRS 8, the Company's chief operating decision maker is the Board of Directors.

There are no customers who account for more than 10% of Group revenue. Customer dependencies are regularly monitored.

Revenue by market sector	**2010 £m**	2009 £m
Grocery	**1,475.8**	1,358.7
Foodservice	**1,439.7**	1,383.2
Cleaning & safety	**970.8**	982.9
Non-food retail	**396.0**	369.6
Healthcare	**326.6**	328.7
Other	**220.7**	225.6
	4,829.6	4,648.7

The 'Other' category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

NOTES continued

3 Segment analysis continued

At 31 December 2010	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	**781.3**	**669.3**	**880.0**	**188.2**		**2,518.8**
Unallocated assets					**139.6**	**139.6**
Total assets	**781.3**	**669.3**	**880.0**	**188.2**	**139.6**	**2,658.4**
Segment liabilities	**278.3**	**239.3**	**216.2**	**49.1**		**782.9**
Unallocated liabilities					**1,079.1**	**1,079.1**
Total liabilities	**278.3**	**239.3**	**216.2**	**49.1**	**1,079.1**	**1,862.0**

At 31 December 2009	North America £m	UK & Ireland £m	Continental Europe £m	Rest of the World £m	Unallocated £m	Total £m
Segment assets	722.9	700.3	812.3	157.1		2,392.6
Unallocated assets					115.5	115.5
Total assets	722.9	700.3	812.3	157.1	115.5	2,508.1
Segment liabilities	271.1	243.5	218.5	35.1		768.2
Unallocated liabilities					1,065.8	1,065.8
Total liabilities	271.1	243.5	218.5	35.1	1,065.8	1,834.0

Unallocated assets and liabilities include Corporate assets and liabilities, tax assets and liabilities, cash and deposits, borrowings, derivative assets and liabilities and pension scheme assets and liabilities.

4 Analysis of operating income and expenses

	2010 £m	2009 £m
Purchase of goods and changes in inventories	**3,686.8**	3,525.4
Employee costs (see Note 21)	**464.6**	458.6
Depreciation of property, plant and equipment	**25.5**	23.5
Amortisation of intangible fixed assets	**43.5**	41.8
Acquisition related costs	**7.5**	
Loss on disposal of property, plant and equipment	**0.7**	0.3
Net foreign exchange losses	**0.2**	0.2
Rentals payable under operating leases and subleases	**85.1**	84.3
Lease and sublease income	**(1.5)**	(1.4)
Other operating expenses	**261.5**	262.1
Net operating expenses	**4,573.9**	4,394.8

			2010			2009
Analysis of auditor's remuneration	**UK £m**	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Audit of the Company's financial statements	**0.3**	**–**	**0.3**	0.3	–	0.3
Audit of the Company's subsidiaries pursuant to legislation	**0.4**	**1.4**	**1.8**	0.4	1.3	1.7
Other services supplied pursuant to legislation	**0.1**	**–**	**0.1**	0.1	–	0.1
Tax services	**0.2**	**0.2**	**0.4**	0.5	0.2	0.7
Pre-acquisition due diligence	**–**	**0.6**	**0.6**	–	0.3	0.3
Total remuneration	**1.0**	**2.2**	**3.2**	1.3	1.8	3.1

Management believes that given the Group's auditor's detailed knowledge of the Group's operations, its structure and accounting policies and the importance of carrying out tax services and detailed pre-acquisition due diligence, it is often appropriate for this additional work to be undertaken by the Group's auditor rather than another firm of accountants.

The Audit Committee, which consists entirely of independent non-executive directors, reviews and approves the level and type of non-audit work which the auditor performs, including the fees paid for such work, to ensure that the auditor's objectivity and independence are not compromised. Further information is set out in the Audit Committee section of the Corporate governance report on pages 29 and 30.

5 Finance income/(cost)

	2010 £m	2009 £m
Interest on deposits	**1.3**	0.9
Interest income from foreign exchange contracts	**1.1**	0.8
Expected return on pension scheme assets	**16.8**	14.7
Other finance income	**1.1**	0.4
Finance income	**20.3**	16.8
Interest on loans and overdrafts	**(31.9)**	(36.1)
Interest expense from foreign exchange contracts	**(2.0)**	(2.4)
Interest charge on pension scheme liabilities	**(16.3)**	(15.2)
Fair value gain on US dollar bonds in a hedge relationship	**0.8**	8.7
Fair value loss on interest rate swaps in a hedge relationship	**(0.8)**	(8.7)
Foreign exchange gain/(loss) on intercompany funding	**17.9**	(31.9)
Foreign exchange (loss)/gain on external debt not in a hedge relationship	**(18.0)**	32.7
Other finance expense	**(0.5)**	(1.8)
Finance cost	**(50.8)**	(54.7)

The foreign exchange gain/(loss) on intercompany funding arises as a result of foreign currency intercompany loans and deposits. This is substantially matched by external debt to minimise this foreign currency exposure in the income statement.

6 Income tax

A tax charge of 29.0% (2009: 30.5%) on the profit on underlying operations (excluding the impact of intangible amortisation of £43.5m (2009: £41.8m), acquisition related costs of £7.5m and associated deferred and current tax of £13.9m (2009: £11.6m)) has been provided. Including the impact of intangible amortisation, acquisition related costs and the respective associated tax, the overall rate is 29.4% (2009: 31.1%).

	2010 £m	2009 £m
Current tax on profit		
current year	**68.5**	164.3
prior years	**(3.9)**	(0.9)
double tax relief	**(0.2)**	(76.4)
	64.4	87.0
Deferred tax on profit		
current year	**6.7**	(10.5)
prior years	**(4.9)**	(9.4)
	1.8	(19.9)
Income tax on profit	**66.2**	67.1

Tax on other comprehensive income and equity	Gross 2010 £m	Tax credit/ (charge) 2010 £m	Net 2010 £m	Gross 2009 £m	Tax credit/ (charge) 2009 £m	Net 2009 £m
Actuarial loss on pension schemes	**(2.5)**	**1.1**	**(1.4)**	(19.3)	5.0	(14.3)
Movement in pension schemes' minimum funding liabilities				5.5	(1.5)	4.0
Foreign currency translation differences for foreign operations	**1.1**	**–**	**1.1**	(55.4)	–	(55.4)
Gain taken to equity as a result of designated effective net investment hedges	**2.3**	**1.4**	**3.7**	8.9	3.2	12.1
Gain/(loss) recognised in cash flow hedge reserve	**0.4**	**(0.1)**	**0.3**	(6.3)	1.1	(5.2)
Movement from cash flow hedge reserve to income statement	**1.4**	**(0.4)**	**1.0**	7.5	–	7.5
Other comprehensive income/(expense)	**2.7**	**2.0**	**4.7**	(59.1)	7.8	(51.3)
Dividends	**(66.1)**	**–**	**(66.1)**	(65.9)	–	(65.9)
Issue of share capital	**2.5**	**–**	**2.5**	5.5	–	5.5
Employee trust shares	**13.5**	**–**	**13.5**	2.8	–	2.8
Share based payments	**7.7**	**1.0**	**8.7**	3.2	1.7	4.9
Other comprehensive income/(expense) and equity	**(39.7)**	**3.0**	**(36.7)**	(113.5)	9.5	(104.0)

NOTES continued

6 Income tax continued

Factors affecting tax charge for the year

The Group operates in many countries and is subject to income tax in many different jurisdictions. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which it operates. The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2010 £m	2009 £m
Profit before income tax	**225.2**	216.0
Tax charge at weighted average rate (2010: 34.0%; 2009: 35.1%)	**76.5**	75.8
Effects of:		
adjustment in respect of prior years	**(8.8)**	(10.3)
(non-taxable)/non-deductible items	**(2.0)**	1.2
other	**0.5**	0.4
Income tax on profit	**66.2**	67.1

Deferred tax in the income statement	**2010 £m**	2009 £m
Accelerated capital allowances	**0.2**	(0.9)
Pension liabilities	**3.0**	1.8
Intangible assets	**(13.4)**	(11.6)
Share based payments	**(0.2)**	(0.1)
Provisions	**0.7**	(7.4)
Other	**11.5**	(1.7)
Deferred tax on profit	**1.8**	(19.9)

7 Earnings per share

	2010 £m	2009 £m
Profit for the year	**159.0**	148.9
Adjustment	**37.1**	30.2
Adjusted profit*	**196.1**	179.1
Basic weighted average ordinary shares in issue (million)	**323.7**	320.5
Dilutive effect of employee share plans (million)	**2.2**	0.9
Diluted weighted average ordinary shares (million)	**325.9**	321.4
Basic earnings per share	**49.1p**	46.4p
Adjustment	**11.5p**	9.5p
Adjusted earnings per share*	**60.6p**	55.9p
Diluted basic earnings per share	**48.8p**	46.3p
Adjustment	**11.4p**	9.4p
Adjusted diluted earnings per share*	**60.2p**	55.7p

*Adjusted profit, adjusted earnings per share and adjusted diluted earnings per share exclude the charge for intangible amortisation, acquisition related costs and the respective associated tax. The intangible amortisation and associated tax are non-cash charges which are not taken into account by management when assessing the underlying performance of the business. Similarly, the acquisition related costs and associated tax do not relate to the underlying performance of the entity acquired as they are a non-operational expense. Accordingly, such charges are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group.

8 Property, plant and equipment

2010	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**61.7**	**91.4**	**85.6**	**238.7**
Acquisitions	**12.0**	**4.5**	**1.4**	**17.9**
Additions	**1.3**	**11.4**	**10.7**	**23.4**
Disposals	**(0.4)**	**(6.3)**	**(2.7)**	**(9.4)**
Currency translation	**0.1**	**1.8**	**0.9**	**2.8**
End of year	**74.7**	**102.8**	**95.9**	**273.4**
Depreciation				
Beginning of year	**20.2**	**56.1**	**59.6**	**135.9**
Charge in year	**3.0**	**10.8**	**11.7**	**25.5**
Disposals	**(0.1)**	**(4.6)**	**(2.7)**	**(7.4)**
Currency translation	**–**	**0.2**	**1.1**	**1.3**
End of year	**23.1**	**62.5**	**69.7**	**155.3**
Net book value at 31 December 2010	**51.6**	**40.3**	**26.2**	**118.1**

2009	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	64.7	89.2	83.0	236.9
Acquisitions	–	0.1	0.1	0.2
Additions	1.9	11.3	10.7	23.9
Disposals	(1.6)	(5.3)	(4.5)	(11.4)
Currency translation	(3.3)	(3.9)	(3.7)	(10.9)
End of year	61.7	91.4	85.6	238.7
Depreciation				
Beginning of year	20.2	50.8	54.6	125.6
Charge in year	2.3	11.5	9.7	23.5
Disposals	(1.0)	(4.6)	(2.5)	(8.1)
Currency translation	(1.3)	(1.6)	(2.2)	(5.1)
End of year	20.2	56.1	59.6	135.9
Net book value at 31 December 2009	41.5	35.3	26.0	102.8
Net book value at 1 January 2009	44.5	38.4	28.4	111.3

The net book value of property, plant and equipment includes assets held under finance leases and hire purchase contracts totalling £9.9m (2009: £11.0m). Accumulated depreciation of these assets was £5.1m (2009: £3.8m). Future capital expenditure at 31 December 2010 consisted of commitments not provided for of £0.9m (2009: £0.3m).

9 Intangible assets

Goodwill	2010 £m	2009 £m
Beginning of year	**749.4**	785.9
Acquisitions	**34.5**	0.4
Deferred consideration	**–**	(2.1)
Currency translation	**5.1**	(34.8)
End of year	**789.0**	749.4

Customer relationships	2010 £m	2009 £m
Cost		
Beginning of year	**610.9**	646.7
Acquisitions	**51.5**	3.3
Currency translation	**(1.4)**	(39.1)
End of year	**661.0**	610.9
Amortisation		
Beginning of year	**163.7**	131.3
Charge in year	**43.5**	41.8
Currency translation	**(1.8)**	(9.4)
End of year	**205.4**	163.7
Net book value at 31 December	**455.6**	447.2
Total net book value of intangible assets at 31 December	**1,244.6**	1,196.6

Both goodwill and customer relationships have been acquired as part of business combinations. Customer relationships are amortised over their estimated useful lives which range from 10 to 19 years.

Impairment tests
The carrying amount of goodwill is allocated across cash generating units ('CGUs').

A description of the Group's principal activities is set out in the Directors' report on page 24. There is no significant difference in the nature of activities across different geographies. The identification of CGUs reflects the way in which the business is managed on a geographical basis. Given the similar nature of the activities of each CGU, a consistent methodology is applied across the Group in assessing CGU recoverable amounts. The recoverable amount is the higher of the value in use and the fair value less the costs to sell. The value in use is the present value of the cash flows expected to be generated by the CGU over a projection period together with a terminal value. The projection period is the time period over which future cash flows are predicted. The Group's methodology is to use a projection period of five years being the maximum period over which detailed future cash flows for each CGU are prepared. For periods after this five year period, the methodology applies a long term growth rate to derive a terminal value. Cash flow expectations exclude any future cash flows that may arise from restructuring or other enhancements to the cash generating activities of the CGU and reflect management's expectations of the range of economic conditions that may exist over the projection period.

The value in use calculations are principally sensitive to revenue growth, achievability of future margins, any significant changes to the customer base and the discount rate used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment with regard to customer attrition rates and additions to the customer base, the ability to introduce price increases and new products and experience in controlling the underlying cost base. This provides a long term growth rate consistent with the geographic segments in which the Group operates, together with management's assessment of future operating performance and market share movements. The growth rate has been calculated based principally on current inflation rates of the relevant economies.

At 31 December 2010 North America, UK Hospitality and France Hygiene carried a significant amount of goodwill in comparison with the total value of the Group's goodwill. The carrying value of goodwill in respect of North America at 31 December 2010 was £186.7m (2009: £176.6m). The carrying value of goodwill in respect of UK Hospitality at 31 December 2010 was £104.9m (2009: £104.9m). The carrying value of goodwill in respect of France Hygiene at 31 December 2010 was £84.3m (2009: £84.2m). At 31 December 2010 the aggregate amount of goodwill attributable to the Group's CGUs, excluding North America, UK Hospitality and France Hygiene, was £413.1m (2009: £383.7m).

For North America, UK Hospitality and France Hygiene the weighted average growth rate used in 2010 was 2.5% (2009: 2.5%). A discount rate of 8% (2009: 8%) has been applied to the value in use calculations representing a pre-tax rate reflecting market assessments of the time value of money at the balance sheet date. Similar assumptions have been applied to the other CGUs but where appropriate the directors have considered alternative market risk assumptions to reflect the specific conditions arising in individual countries (with discount rates ranging from 8%–16%).

9 Intangible assets continued

Management has also considered the key assumptions that impact future cash flows. The key assumption on which value in use calculations are dependent relates to the underlying customer base. In particular the assumptions are sensitive to customer attrition and the rate at which new customer relationships are introduced and established. Based on past experience and taking into account current market conditions, management considers that it is unlikely that a change in key assumptions would result in impairment as it is reasonable to assume that there will be no material deterioration in the customer base over the projection period which will significantly impact future cash flows. Should such a change occur, this would represent a triggering event to indicate that an impairment review may be necessary. In accordance with IAS 36 'Impairment of Assets', a full impairment review would then be undertaken on the relevant assets within the CGU. Any such changes are monitored through normal monthly procedures.

10 Inventories

	2010 £m	2009 £m
Goods for resale	**482.0**	429.3

£1.8m was written off inventories during the year (2009: £3.2m) due to obsolescence or damage. The inventories provision at 31 December 2010 was £49.8m (2009: £49.5m).

11 Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**572.2**	553.3
Prepayments and other receivables	**118.6**	124.6
	690.8	677.9

The ageing of trade receivables at 31 December was:

	Gross 2010 £m	**Provision 2010 £m**	Gross 2009 £m	Provision 2009 £m
Current	**440.4**	**1.6**	424.0	1.9
0–30 days overdue	**110.8**	**0.2**	108.6	0.8
31–90 days overdue	**24.0**	**1.2**	25.0	1.6
Over 90 days overdue	**12.6**	**12.6**	14.1	14.1
	587.8	**15.6**	571.7	18.4

The movement in the provision for doubtful debts in respect of trade receivables during the year was as follows:

	2010 £m	2009 £m
Beginning of year	**18.4**	22.0
Acquisitions	**0.7**	–
Charge	**2.3**	2.1
Utilised and unused	**(5.5)**	(4.6)
Currency translation	**(0.3)**	(1.1)
End of year	**15.6**	18.4

Based on historic experience and the current economic environment, management believes that no additional provisions for doubtful debts in respect of trade receivables either current or overdue are required.

12 Trade and other payables – current

	2010 £m	2009 £m
Trade payables	**551.0**	558.2
Other tax and social security contributions	**21.9**	19.7
Other payables	**81.0**	71.8
Accruals and deferred income	**112.4**	94.7
	766.3	744.4

13 Risk management and financial instruments

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on average operating capital employed as well as the level of total shareholders' equity and the amount of dividends paid to ordinary shareholders. For the year ended 31 December 2010, the return on average operating capital employed was 54.4% (2009: 54.7%), the level of total shareholders' equity at 31 December 2010 was £796.4m (2009: £674.1m) and the amount of dividends paid in the year ended 31 December 2010 was £66.1m (2009: £62.3m).

The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the Group has a portfolio of competitively priced borrowing facilities to meet the demands of the business over time and, in order to do so, the Group arranges a mixture of borrowings from different sources with a variety of maturity dates.

The Group's businesses provide a high and consistent level of cash generation which helps fund future development and growth. The Group seeks to maintain an appropriate balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls

The Group has a centralised treasury department to control external borrowings and manage liquidity, interest rate and foreign currency risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are reviewed by the executive directors. Controls over exposure changes and transaction authenticity are in place.

Hedge accounting

The Group designates derivatives which qualify as hedges for accounting purposes as either (a) a hedge of the fair value of a recognised asset or liability; (b) a hedge of the cash flow risk resulting from changes in interest rates or foreign exchange rates; or (c) a hedge of a net investment in a foreign operation. The accounting treatment for hedges is set out in the financial instruments accounting policy in Note 2.

The Group tests the effectiveness of hedges on a prospective and retrospective basis to ensure compliance with IAS 39. Methods for testing effectiveness include dollar offset, critical terms and regression analysis.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with debt covenants is monitored. During 2010 all covenants have been complied with.

The Group has substantial borrowing facilities available to it comprising multi-currency credit facilities from the Group's banks and US dollar and sterling bonds. At 31 December 2010, the total bonds outstanding were £562.3m (2009: £532.7m) with maturities ranging from 2011 to 2019. In addition a further issue of fixed interest rate US dollar and sterling bonds was agreed in December 2010 for a total value of £95.2m of which £75.2m is due to be drawn by the Company in April 2011 and is included in the contractual cash flow table in this Note 13 as an inflow within one year and as an outflow after more than five years. The bank facilities mature between 2011 and 2015. At 31 December 2010 the available bank facilities totalled £781.5m of which £224.2m was drawn down.

The undrawn committed facilities available at 31 December are as follows:

	2010 £m	2009 £m
Expiring within one year	**139.0**	160.0
Expiring after one year but within two years	**140.0**	134.7
Expiring after two years	**278.3**	246.4
	557.3	541.1

In addition the Group maintains overdraft and uncommitted facilities to provide short term flexibility.

The contractual maturity profile of the Group's financial assets and liabilities at 31 December is set out below. The amounts disclosed are the contractual undiscounted cash flows and therefore include interest cash flows (forecast using LIBOR interest rates at 31 December in the case of floating rate financial assets and liabilities). Derivative assets and liabilities totalling £23.5m (2009: £25.2m) have been included within the tables since they predominantly relate to derivatives which are used to manage the interest cash flows on the Group's debt. Bank loans have been drawn under committed facilities and can be refinanced on maturity from these same facilities. Accordingly they have been aged based on the maturity dates of the underlying facilities. At 31 December 2010 loans totalling £5.4m were secured by fixed charges on property (2009: £nil) as a result of an acquisition made during the year.

13 Risk management and financial instruments continued

The table below also compares the fair value and carrying amounts for financial assets and liabilities:

2010	Fair value £m	Carrying amount £m	Contractual cash outflows/(inflows) Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial (assets)/liabilities at amortised cost:							
Trade receivables	**(572.2)**	**(572.2)**	**(572.2)**	**(572.2)**	–	–	–
Cash and deposits	**(83.9)**	**(83.9)**	**(83.9)**	**(83.9)**	–	–	–
Bank loans	**245.5**	**245.6**	**249.7**	**73.0**	**125.8**	**50.9**	–
US dollar and sterling bonds	**385.7**	**347.4**	**517.5**	**(50.0)**	**26.8**	**141.4**	**399.3**
Bank overdrafts	**9.0**	**9.0**	**9.0**	**9.0**	–	–	–
Other interest bearing loans and borrowings	**0.4**	**0.4**	**0.4**	–	–	**0.4**	–
Finance lease creditors	**0.6**	**0.6**	**0.6**	**0.3**	**0.2**	**0.1**	–
Trade payables	**551.0**	**551.0**	**551.0**	**551.0**	–	–	–
Other current payables	**95.7**	**95.7**	**95.7**	**95.7**	–	–	–
Non-current payables	**4.7**	**4.7**	**4.7**	–	**4.7**	–	–
	636.5	**598.3**	**772.5**	**22.9**	**157.5**	**192.8**	**399.3**
Financial liabilities/(assets) stated at fair value:							
US dollar bonds	**210.7**	**214.9**	**223.6**	**61.6**	**7.8**	**154.2**	–
Foreign exchange contracts for net investment hedging	**2.9**	**2.9**	**2.9**	**2.9**	–	–	–
Foreign exchange contracts for cash flow hedging	**0.6**	**0.6**	**0.6**	**0.6**	–	–	–
Interest rate swaps	**(26.0)**	**(26.0)**	**(32.0)**	**(11.1)**	**(8.7)**	**(9.9)**	**(2.3)**
Cross currency interest rate swaps	**8.0**	**8.0**	**8.7**	**(0.5)**	**0.7**	**8.5**	–
Interest rate caps	**(0.2)**	**(0.2)**	–	–	–	–	–
	196.0	**200.2**	**203.8**	**53.5**	**(0.2)**	**152.8**	**(2.3)**

2009	Fair value £m	Carrying amount £m	Contractual cash outflows/(inflows) Total contractual cash flows £m	Within one year £m	After one year but within two years £m	After two years but within five years £m	After more than five years £m
Financial (assets)/liabilities at amortised cost:							
Trade receivables	(553.3)	(553.3)	(553.3)	(553.3)	–	–	–
Cash and deposits	(57.9)	(57.9)	(57.9)	(57.9)	–	–	–
Bank loans	250.9	251.3	255.3	13.4	60.9	181.0	–
US dollar and sterling bonds	339.0	322.1	466.7	22.1	22.1	96.3	326.2
Bank overdrafts	14.9	14.9	14.9	14.9	–	–	–
Other interest bearing loans and borrowings	1.4	1.4	1.4	1.0	–	0.1	0.3
Finance lease creditors	1.0	1.0	1.0	0.8	0.2	–	–
Trade payables	558.2	558.2	558.2	558.2	–	–	–
Other current payables	91.5	91.5	91.5	91.5	–	–	–
Non-current payables	8.0	8.0	8.0	–	8.0	–	–
	653.7	637.2	785.8	90.7	91.2	277.4	326.5
Financial liabilities/(assets) stated at fair value:							
US dollar bonds	204.9	210.6	228.9	10.9	60.0	158.0	–
Foreign exchange contracts for net investment hedging	(5.8)	(5.8)	(5.8)	(5.8)	–	–	–
Foreign exchange contracts for cash flow hedging	(0.8)	(0.8)	(0.8)	(0.8)	–	–	–
Interest rate swaps	(28.2)	(28.2)	(42.6)	(11.3)	(10.9)	(16.0)	(4.4)
Cross currency interest rate swaps	10.0	10.0	11.6	0.8	0.8	6.3	3.7
Interest rate caps	(0.7)	(0.7)	–	–	–	–	–
Interest rate collars	1.9	1.9	1.9	1.9	–	–	–
	181.3	187.0	193.2	(4.3)	49.9	148.3	(0.7)

13 Risk management and financial instruments continued

All financial assets and liabilities stated at fair value in the table above have carrying amounts where the fair value component is a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The US dollar bonds, included within financial assets and liabilities stated at fair value, have a carrying amount of £214.9m (2009: £210.6m) which includes a fair value measurement related to the risk being hedged. The table above also discloses the fair value of these bonds including all other components of £210.7m (2009: £204.9m).

Fair value gains and losses on interest rate caps and the time value of interest rate collars impact the income statement immediately while all other financial assets and liabilities stated at fair value are in hedging relationships.

Interest rate risk

The Group is funded by a mixture of fixed and floating rate debt. In addition, interest rate swaps and interest rate options are used to manage the interest rate risk profile. At 31 December 2010 fixed rate debt of £347.4m (2009: £322.1m) related to fixed US dollar and sterling bonds stated at amortised cost with maturities ranging from 2014 to 2019.

At 31 December 2010 floating rate debt comprised £245.6m of floating rate bank loans (2009: £251.3m) and £214.9m of fixed rate US dollar bonds which have been swapped to floating rates using interest rate swaps (2009: £210.6m). Bank loans are drawn for various periods of up to three months at interest rates linked to LIBOR. The interest rate swaps reprice every three and six months. These interest rate swaps are in fair value hedge relationships with the market risk of the US dollar bonds. These hedges were effective during the year and have therefore had no net impact on the income statement.

The interest rate risk on the floating rate debt is managed using interest rate options. Borrowings with a notional principal of £301.0m were capped at 31 December 2010 (2009: £309.7m) and borrowings with a notional principal of £nil were collared at 31 December 2010 (2009: £186.3m). Cash flow hedge accounting is applied to the intrinsic value of interest rate collars. Hedge accounting is not applied to the interest rate caps or to the time value of the interest rate collars. The strike rates of these options are based on sterling, US dollar and euro LIBOR repricing every three months.

After taking account of hedge relationships, a change of 1% in the interest rate forward curves on 31 December would have increased profit before tax and equity for the year by the amounts shown below as a result of changes in the fair values of derivative assets and liabilities at that date:

	Impact on profit before tax		Impact on equity	
	+1% £m	**–1% £m**	**+1% £m**	**–1% £m**
2010	**0.4**	**0.2**	**0.4**	**0.2**
2009	1.0	0.3	1.0	0.3

Foreign currency risk

The principal underlying currencies of the Group's earnings are sterling, US dollars and euros. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates.

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2010	2009	**2010**	2009
US dollar	**1.55**	1.57	**1.57**	1.61
Euro	**1.17**	1.12	**1.17**	1.13

For the year ended 31 December 2010, a movement of one cent in the US dollar and euro average exchange rates would have changed profit before tax by £0.8m and £0.3m respectively and profit before tax, intangible amortisation and acquisition related costs by £0.8m and £0.5m respectively.

The majority of the Group's transactions are carried out in the respective functional currencies of the Group's operations and so transaction exposures are usually relatively limited. Where they do occur the Group's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed using forward foreign exchange contracts and these are designated as cash flow hedges. However, the economic impact of foreign exchange on the value of uncommitted future purchases and sales is not hedged. As a result, sudden and significant movements in foreign exchange rates can impact profit margins where there is a delay in passing on to customers the resulting price increases. For the year ended 31 December 2010 all foreign exchange cash flow hedges were effective with a £0.6m loss recognised in equity (2009: gain of £0.8m) which will affect the income statement during 2011.

The majority of the Group's borrowings are effectively denominated in sterling, US dollars and euros, aligning them to the respective functional currencies of its operating profit before depreciation, intangible amortisation and acquisition related costs ('EBITDA'). This currency profile is achieved using short term foreign exchange contracts, long term cross currency interest rate swaps and foreign currency debt. This currency composition minimises the impact of foreign exchange rates on the ratio of net debt to EBITDA.

Cross currency interest rate swaps in a cash flow hedge relationship were effective during the year, with a loss of £1.2m (2009: £2.6m) being recognised in equity which will affect the income statement from 2011 to 2015.

13 Risk management and financial instruments continued

The currency profile of the Group's net debt as at 31 December is set out in the table below:

	2010 £m	2009 £m
Sterling	**209.9**	220.0
US dollar	**350.3**	307.7
Euro	**140.8**	167.4
Other	**15.8**	21.7
	716.8	716.8

If a 10% strengthening or weakening of sterling had taken place on 31 December it would have increased/(decreased) profit before tax and equity for the year by the amounts shown below. The impact of this translation is much greater on equity than it is on profit before tax since equity is translated using the closing exchange rates and profit before tax is translated using the average exchange rates for the year. As a result the value of equity is more sensitive than the value of profit before tax to a movement in exchange rates on 31 December and the resulting movement in profit before tax is due solely to the translation effect on monetary items. This analysis assumes that all other variables, and in particular interest rates, remain constant.

	Impact on profit before tax		Impact on equity	
	+10% £m	–10% £m	+10% £m	–10% £m
2010	**0.3**	**(0.3)**	**(51.8)**	**57.0**
2009	0.1	(0.2)	(37.5)	41.3

Credit risk

Credit risk is the risk of loss in relation to a financial asset due to non-payment by the counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets.

The Group's principal financial assets are cash and deposits, derivative financial instruments and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The maximum exposure to credit risk for cash and deposits (Note 23), derivative financial instruments (see above) and trade and other receivables (Note 11) is their carrying amount.

Dealings are restricted to those banks with the relevant combination of geographic presence and suitable credit rating. The Group continually monitors the credit ratings of its counterparties and the credit exposure to each counterparty.

For trade and other receivables, the amounts represented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Note 11 sets out an analysis of trade and other receivables and the provision for doubtful debts in respect of trade receivables.

At the balance sheet date there were no significant concentrations of credit risk.

14 Provisions

	2010 £m	2009 £m
Current	**8.6**	10.3
Non-current	**35.5**	40.7
	44.1	51.0

	Properties 2010 £m	Claims 2010 £m	Total 2010 £m	Properties 2009 £m	Claims 2009 £m	Total 2009 £m
Beginning of year	**26.3**	**24.7**	**51.0**	28.4	35.4	63.8
Charge	**0.8**	**1.2**	**2.0**	2.2	3.0	5.2
Acquisitions	**0.5**	**2.6**	**3.1**	–	0.4	0.4
Utilised and unused	**(6.0)**	**(5.4)**	**(11.4)**	(4.0)	(11.5)	(15.5)
Currency translation	**–**	**(0.6)**	**(0.6)**	(0.3)	(2.6)	(2.9)
End of year	**21.6**	**22.5**	**44.1**	26.3	24.7	51.0

The properties provision includes vacant properties where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations. These provisions cover the relevant periods of the lease agreements, up to the earliest possible termination date, which typically extend from one to 10 years.

14 Provisions continued

The Group has provisions for expected legal, environmental and other claims based on management's best estimate at the balance sheet date of the probable loss likely to be incurred. It expects that these amounts, which are based on detailed plans or other known factors and take account of past experience for similar items, will be settled within the next one to five years.

The Group is a defendant in a number of legal proceedings incidental to its operations. While any litigation has an element of uncertainty, management does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material adverse effect on the Group's financial condition or results of operations.

15 Deferred tax

			2010			2009
	Asset £m	**Liability £m**	**Net £m**	Asset £m	Liability £m	Net £m
Accelerated capital allowances	**4.2**	**(5.9)**	**(1.7)**	4.2	(5.0)	(0.8)
Pension liabilities	**16.2**	**–**	**16.2**	18.3	–	18.3
Intangible assets	**–**	**(135.4)**	**(135.4)**	–	(136.3)	(136.3)
Revalued properties	**0.8**	**(1.9)**	**(1.1)**	–	(0.9)	(0.9)
Share based payments	**5.0**	**–**	**5.0**	4.3	–	4.3
Provisions	**9.4**	**–**	**9.4**	10.7	–	10.7
Inventories	**5.1**	**(10.0)**	**(4.9)**	5.5	(8.6)	(3.1)
Other	**12.0**	**(9.0)**	**3.0**	15.4	(4.7)	10.7
Deferred tax asset/(liability)	**52.7**	**(162.2)**	**(109.5)**	58.4	(155.5)	(97.1)
Set-off of tax	**(46.8)**	**46.8**	**–**	(51.5)	51.5	–
Net deferred tax asset/(liability)	**5.9**	**(115.4)**	**(109.5)**	6.9	(104.0)	(97.1)

Except as noted below, deferred tax is calculated in full on temporary differences under the liability method using the tax rate of the country of operation.

The Company is able to control the dividend policy of its subsidiaries and, therefore, the timing of the remittance of the undistributed earnings of overseas subsidiaries. In general, the Company has determined either that such earnings will not be distributed in the foreseeable future or, where there are plans to remit those earnings, no tax liability is expected to arise. Deferred tax of £1.4m has been recognised in the exceptional case where distribution of earnings is both planned and expected to result in a tax liability.

Deferred tax assets in respect of temporary differences have only been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be realised. No deferred tax asset has been recognised in respect of unutilised tax losses of £7.0m (2009: £10.6m). The unutilised tax losses may be carried forward indefinitely.

No deferred tax has been recognised in respect of unutilised capital losses of £95.9m (2009: £96.1m) as it is not considered probable that there will be suitable future taxable profits against which they can be utilised.

The movement on the net deferred tax liability is shown below:

	2010 £m	2009 £m
Beginning of year	**97.1**	129.8
Acquisitions	**11.9**	(0.5)
Charge/(credit) to income statement	**1.8**	(19.9)
Credit to equity	**(3.0)**	(5.8)
Other	**(0.4)**	2.2
Currency translation	**2.1**	(8.7)
End of year	**109.5**	97.1

16 Share capital and share based payments

	2010 £m	2009 £m
Issued and fully paid ordinary shares of 32⁴⁄₇p each	**113.3**	113.0

Number of ordinary shares in issue and fully paid		
Beginning of year	**351,509,328**	350,397,756
Issued – scrip dividend	**498,486**	705,554
– option exercises	**512,344**	406,018
End of year	**352,520,158**	351,509,328

The Company operates the following share plans for the benefit of employees of the Company and its subsidiaries relating to the acquisition of shares in the Company. Further details of the share plans operated by the Company are set out in the Directors' remuneration report.

Sharesave Scheme (2001) ('Sharesave Scheme')
The Sharesave Scheme, approved by shareholders at the 2001 Annual General Meeting, is approved by HM Revenue & Customs in the UK and is open to all UK employees, including the UK based executive directors, who have completed at least three months of continuous service. It is linked to a contract for monthly savings of up to £250 per month over a period of either three or five years. Under the Sharesave Scheme options are granted to participating employees at a discount of up to 20% of the market price prevailing on the day immediately preceding the date of invitation to apply for the option. Options are normally exercisable either three or five years after they have been granted. The Sharesave Scheme is due to expire in May 2011. The Company intends to seek shareholder approval for a replacement Scheme at the forthcoming Annual General Meeting in April 2011.

International Sharesave Plan
The International Sharesave Plan was introduced following the approval of the Sharesave Scheme by shareholders. It operates on a similar basis to the Sharesave Scheme save that it is linked to a contract for monthly savings of approximately £250 per month (or equivalent in other currencies) over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing shortly before the date of invitation to apply for the option. The International Sharesave Plan is due to expire in May 2011. If the new Sharesave Scheme is approved by shareholders at the 2011 Annual General Meeting, the Company intends to introduce a replacement Plan which will operate on a similar basis to the existing International Sharesave Plan.

Irish Sharesave Plan
The Irish Sharesave Plan was also introduced following the approval of the Sharesave Scheme by shareholders. It is approved by the Irish Revenue Commissioners and operates on a similar basis to the Sharesave Scheme as described above except that it is linked to a contract for monthly savings of the euro equivalent of approximately £250 per month over a period of three years and options are granted to participating employees at a discount of up to 20% of the market price prevailing shortly before the date of invitation to apply for the option. The Irish Sharesave Plan is due to expire in May 2011. If the new Sharesave Scheme is approved by shareholders at the 2011 Annual General Meeting, the Company intends to introduce a replacement Plan which will operate on a similar basis to the existing Irish Sharesave Plan.

1994 Executive Share Option Scheme ('1994 Scheme')
The 1994 Scheme was approved by shareholders at the 1994 Annual General Meeting. No further options have been granted under the 1994 Scheme since it expired in May 2004. A performance condition, based on the Company's adjusted earnings per share growth relative to UK inflation over three years, had to be satisfied before options would normally be exercisable. All such performance conditions relating to options granted under the 1994 Scheme have been satisified. Prior to 25 August 2010 all options granted under the 1994 Scheme to US resident participants (with the exception of Mr P L Larmon) were settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options were exercised. With effect from such date, all such cash settled options were converted to equity settled options.

Long Term Incentive Plan ('LTIP')
The LTIP was approved by shareholders at the 2004 Annual General Meeting and replaced the 1994 Scheme. The LTIP is divided into two parts.

Part A allows the Board to grant share options. In normal circumstances options granted are only exercisable if the relevant performance condition has been satisfied. Share options granted to date have a performance condition attached based on the Company's adjusted earnings per share growth relative to UK inflation over three years. Prior to 25 August 2010 all options granted under Part A of the LTIP to US resident participants (with the exception of Mr P L Larmon) were settled in cash (rather than through the delivery of shares) based upon the market value of the Company's ordinary shares at the time the relevant options were exercised. With effect from such date, all such cash settled options were converted to equity settled options.

Part B of the LTIP allows the Board to award performance shares which is a conditional right to receive shares in the Company for nil consideration. A performance share award will normally vest (i.e. become exercisable) on the third anniversary of its grant to the extent that the applicable performance condition has been satisfied. The extent to which performance share awards granted prior to 2007 vested was subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified peer group of companies. The extent to which performance share awards granted thereafter have vested or will in future vest is normally partly subject to the Company's TSR performance and partly subject to the Company's adjusted earnings per share growth relative to UK inflation over three years.

16 Share capital and share based payments continued

Investment in own shares

The Company holds a number of its ordinary shares in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the 1994 Scheme, the LTIP and the Deferred Annual Share Bonus Scheme ('DASBS'). Details of such plans are set out above and in the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2010 the trust held 3,995,293 (2009: 6,502,865) shares, upon which dividends have been waived, with an aggregate nominal value of £1.3m (2009: £2.1m) and market value of £28.7m (2009: £43.9m). At 31 December 2010, 23,325,000 (2009: 23,325,000) shares with an aggregate nominal value of £7.5m (2009: £7.5m) and market value of £167.7m (2009: £157.4m) were held in treasury.

IFRS 2 disclosures

Options granted during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2010	2009
Grant date	**25.02.2010–08.10.10**	26.02.09–02.10.09
Share price at grant date (£)	**6.69–7.61**	4.92–6.52
Exercise price (£)	**nil–7.57**	nil–5.86
Options granted during the year (shares)	**4,273,366**	4,702,399
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**21–25**	21–25
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.5**	3.0–6.4
Risk free rate of return (%)	**0.9–3.1**	1.8–3.0
Expected dividends expressed as a dividend yield (%)	**2.8–3.2**	3.2–4.2
Fair value per option (£)	**0.59–2.78**	0.37–2.21

The expected volatility is based on historical volatility over the last three to five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price for options exercised by employees of the Company and its subsidiaries during the year was £7.42 (2009: £5.99). The total charge for the year relating to share based payments was £4.1m (2009: £6.0m), comprising a charge of £3.4m relating to equity settled options (2009: £3.2m) and a charge of £0.7m relating to cash settled options (2009: £2.8m). After tax the total charge was £2.0m (2009: £4.7m). On 25 August 2010 the cash settled options were converted to equity settled options thereby harmonising all of the relevant option plans. The outstanding liability in relation to the cash settled options of £4.3m at that date (31 December 2009: £5.3m) was transferred to equity.

Details of share options and awards which have been granted and exercised, those which have lapsed during 2010 and those outstanding and available to exercise at 31 December 2010, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme, International Sharesave Plan, Irish Sharesave Plan, 1994 Scheme and LTIP Part A and Part B are set out in the following table:

	Options outstanding at 01.01.10	Grants/awards 2010		Exercises 2010		Lapses* 2010	Options outstanding at 31.12.10		Options available to exercise at 31.12.10
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme	1,105,872	367,345	542	183,909	347–578	179,004	1,110,304	437–578	23,285
International Sharesave Plan	155,195	53,341	542	30,997	529	35,207	142,332	452–578	–
Irish Sharesave Plan	43,740	9,752	542	2,414	529	13,444	37,634	452–578	–
1994 Scheme	1,496,302	–	–	856,302	372–482	–	640,000	372–482	640,000
LTIP Part A	13,529,006	3,187,950	676–757	1,990,125	429–701	368,049	14,358,782	429–757	5,213,655
LTIP Part B	1,965,349	654,978	nil	370,624	nil	217,434	2,032,269	nil	–
	18,295,464	**4,273,366**		**3,434,371**		**813,138**	**18,321,321**		**5,876,940**

*Share option lapses relate to those which have either been forfeited or have expired during the year.

16 Share capital and share based payments continued

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	1.01	2.62
International Sharesave Plan	0.74	2.26
Irish Sharesave Plan	0.74	2.23
LTIP Part A	0.71	2.65
LTIP Part B	2.61	2.51

The outstanding options and awards are exercisable at various dates up to September 2020.

17 Dividends

	2010 £m	2009 £m
2008 interim		20.6
2008 final		45.3
2009 interim	**21.4**	
2009 final	**48.2**	
Total	**69.6**	65.9

Total dividends per share for the year to which they relate are:

	Per share	
	2010	2009
Interim	**7.15p**	6.65p
Final	**16.20p**	14.90p
Total	**23.35p**	21.55p

The 2010 interim dividend of 7.15p per share was paid on 4 January 2011 and comprised £16.6m of cash and 0.9m of scrip shares. The 2010 final dividend of 16.2p per share will be paid on 1 July 2011 to shareholders on the register at the close of business on 13 May 2011.

18 Contingent liabilities

	2010 £m	2009 £m
Bank guarantees	**0.2**	0.7

19 Directors' ordinary share interests

The interests of the directors, and their connected persons, in the share capital of the Company at 31 December were:

	2010	2009
P G Rogerson	**10,000**	
M J Roney	**238,888**	225,660
C A Banks	**7,945**	7,707
U Wolters	**5,000**	5,000
P L Larmon	**95,528**	90,388
P W Johnson	**5,188**	3,708
B M May	**100,610**	88,195
D J R Sleath	**4,000**	4,000
	467,159	424,658

Details of directors' options over ordinary shares and awards made under the 1994 Scheme, the LTIP and the DASBS are set out in the Directors' remuneration report. Since 31 December 2010 Mr C A Banks, Mr P L Larmon and Mr P W Johnson have acquired interests in 78, 802 and 34 ordinary shares respectively as a result of their electing to participate in the scrip dividend scheme in respect of the interim dividend which was paid on 4 January 2011 and Mr P L Larmon has acquired interests in 440 ordinary shares pursuant to the Company's US Stock Purchase Plan. No other changes to the directors' ordinary share interests shown in this Note and the Directors' remuneration report have taken place between 31 December 2010 and 28 February 2011.

20 Pensions

The Group operates both defined benefit and defined contribution pension schemes. The funds of the principal schemes are administered by trustees and are held independently from the Group. Pension costs of defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the UK defined benefit schemes in April 2009 and annual actuarial valuations are performed on the principal US defined benefit schemes. The valuation of the UK defined benefit schemes has been updated to 31 December 2010 by the Group's actuaries. Contributions to all schemes are determined in line with actuarial advice and local conditions and practices. Scheme assets for the purpose of IAS 19 are stated at their bid value.

The amounts included in the consolidated financial statements in respect of the Group were as follows:

Amounts included in net operating expenses	2010 £m	2009 £m
Defined contribution schemes	**9.5**	8.5
Defined benefit schemes		
current service cost	**5.4**	4.8
past service cost	**0.1**	0.1
Total operating charge	**15.0**	13.4
Amounts included in finance (income)/cost		
Expected return on scheme assets	**(16.8)**	(14.7)
Interest charge on scheme liabilities	**16.3**	15.2
Net financial (return)/charge	**(0.5)**	0.5
Total charge	**14.5**	13.9

Amounts recognised in the statement of comprehensive income	2010 £m	2009 £m
Actual return less expected return on scheme assets	**10.8**	9.2
Experience gain on scheme liabilities	**1.2**	1.2
Impact of changes in assumptions relating to the present value of scheme liabilities	**(14.5)**	(29.7)
Actuarial loss on pension schemes	**(2.5)**	(19.3)
Movement in pension schemes' minimum funding liabilities		5.5
	(2.5)	(13.8)

The cumulative amount of actuarial losses arising since 1 January 2004 recognised in the statement of comprehensive income at 31 December 2010 was £67.4m (2009: £64.9m).

20 Pensions continued

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

Europe	**2010**	2009
Longevity at age 65 for current pensioners (years)	**21.0**	20.7
Longevity at age 65 for future pensioners (years)	**22.9**	21.8
US		
Longevity at age 65 for current and future pensioners (years)	**19.7**	19.5

			Europe			US
	2010	2009	2008	**2010**	2009	2008
Rate of increase in salaries	**4.2%**	4.3%	3.8%	**3.0%**	3.0%	4.0%
Rate of increase in pensions	**3.4%**	3.3%	2.8%	**–**	–	–
Discount rate	**5.4%**	5.7%	6.4%	**5.7%**	6.1%	6.3%
Inflation rate	**2.8%**	3.3%	2.8%	**2.5%**	2.5%	3.0%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

To develop the expected long term rate of return on assets assumption, the Group considers the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class is then weighted based on the actual asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. The market value of scheme assets and the present value of pensions obligations were:

		Europe 2010		**US 2010**	**Total 2010**
	Long term rate of return†	**Value £m**	**Long term rate of return**	**Value £m**	**Value £m**
Equities	**7.7%**	**121.8**	**8.2%**	**40.5**	**162.3**
Bonds	**5.3%**	**64.9**	**5.1%**	**26.1**	**91.0**
Other	**4.1%**	**0.4**	**8.0%**	**4.3**	**4.7**
Blended rate of return on scheme assets	**6.8%**		**7.4%**		
Total market value of scheme assets		**187.1**		**70.9**	**258.0**
Present value of funded obligations		**(209.8)**		**(86.5)**	**(296.3)**
Present value of unfunded obligations		**(4.7)**		**(9.5)**	**(14.2)**
Present value of funded and unfunded obligations		**(214.5)**		**(96.0)**	**(310.5)**
Unrecognised past service cost		**–**		**0.2**	**0.2**
Deficit		**(27.4)**		**(24.9)**	**(52.3)**
Deferred tax		**7.5**		**8.7**	**16.2**
Net deficit		**(19.9)**		**(16.2)**	**(36.1)**

†Long term rate of return is based on the weighted average across all European defined benefit pension schemes.

20 Pensions continued

	Long term rate of return†	Europe 2009 Value £m	Long term rate of return	US 2009 Value £m	Total 2009 Value £m
Equities	8.2%	106.5	7.8%	32.4	138.9
Bonds	5.4%	58.3	5.1%	22.3	80.6
Other	3.0%	0.6	8.5%	3.0	3.6
Blended rate of return on scheme assets	7.2%		7.2%		
Total market value of scheme assets		165.4		57.7	223.1
Present value of funded obligations		(197.0)		(72.8)	(269.8)
Present value of unfunded obligations		(4.4)		(8.9)	(13.3)
Present value of funded and unfunded obligations		(201.4)		(81.7)	(283.1)
Unrecognised past service cost		–		0.2	0.2
Deficit		(36.0)		(23.8)	(59.8)
Deferred tax		10.0		8.3	18.3
Net deficit		(26.0)		(15.5)	(41.5)

†Long term rate of return is based on the weighted average across all European defined benefit pension schemes.

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Total market value of scheme assets	**258.0**	223.1	202.3	229.9	200.4
Present value of funded and unfunded obligations	**(310.5)**	(283.1)	(253.0)	(243.4)	(237.9)
Unrecognised past service cost	**0.2**	0.2	0.3	0.3	–
Pension schemes' minimum funding liabilities			(5.5)	(18.1)	
Deficit	**(52.3)**	(59.8)	(55.9)	(31.3)	(37.5)
Actual return less expected return on scheme assets	**10.8**	9.2	(62.8)	(0.6)	7.3
Experience adjustments arising on scheme liabilities	**1.2**	1.2	2.2	0.4	7.5

Movement in deficit	**2010 £m**	2009 £m
Beginning of year	**(59.8)**	(55.9)
Current service cost	**(5.4)**	(4.8)
Past service cost	**(0.1)**	(0.1)
Contributions	**15.2**	11.2
Net financial return/(charge)	**0.5**	(0.5)
Movement in pension schemes' minimum funding liabilities		5.5
Actuarial loss	**(2.5)**	(19.3)
Currency translation	**(0.2)**	4.1
End of year	**(52.3)**	(59.8)

20 Pensions continued

Changes in the present value of defined benefit obligations	2010 £m	2009 £m
Beginning of year	**283.1**	253.0
Current service cost	**5.4**	4.8
Past service cost	**0.1**	–
Interest charge on scheme liabilities	**16.3**	15.2
Contributions by employees	**1.0**	1.1
Actuarial loss	**13.3**	28.5
Benefits paid	**(9.8)**	(9.1)
Currency translation	**1.1**	(10.4)
End of year	**310.5**	283.1

Changes in the fair value of scheme assets	£m	£m
Beginning of year	**223.1**	202.3
Expected return on scheme assets	**16.8**	14.7
Actuarial gain	**10.8**	9.2
Contributions by employer	**15.2**	11.2
Contributions by employees	**1.0**	1.1
Benefits paid	**(9.8)**	(9.1)
Currency translation	**0.9**	(6.3)
End of year	**258.0**	223.1

The calculation of expected return on scheme assets is determined with reference to market expectations in conjunction with the relevant scheme's actuaries.

The actual return on scheme assets was £27.6m (2009: £23.9m).

The Group expects to pay approximately £16m in contributions to the defined benefit pension schemes in the year ending 31 December 2011.

21 Directors and employees

Average number of employees	2010	2009
North America	**3,468**	3,438
UK & Ireland	**4,742**	5,598
Continental Europe	**3,252**	3,248
Rest of the World	**854**	878
	12,316	13,162
Corporate	**52**	52
	12,368	13,214

Employee costs	2010 £m	2009 £m
Wages and salaries	**396.4**	392.2
Social security costs	**48.5**	48.4
Share based payments	**4.7**	4.6
Pension costs	**15.0**	13.4
	464.6	458.6

NOTES continued

21 Directors and employees continued

Key management remuneration	2010 £m	2009 £m
Salaries and short term employee benefits	**5.1**	4.6
Share based payments	**1.4**	0.9
Post employment benefits	**0.9**	1.1
	7.4	6.6

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the directors of the Company and those members of the Executive Committee and the Managing Directors of the major geographic regions who are not directors of the Company. The amounts disclosed are calculated on the same bases as those used to determine the relevant amounts disclosed in the Directors' remuneration report.

Directors' emoluments	2010 £m	2009 £m
Non-executive directors	**0.6**	0.6
Executive directors:		
remuneration excluding performance related elements	**2.2**	2.1
annual cash bonus	**0.7**	0.5
	3.5	3.2

More detailed information concerning directors' emoluments and long term incentives is set out in the Directors' remuneration report. The aggregate amount of gains made by directors on the exercise of share options during the year was £0.4m (2009: £nil). The aggregate market value of performance share awards exercised by directors under long term incentive schemes during the year was £1.1m (2009: £0.9m). The aggregate market value of shares exercised by directors under the DASBS was £0.6m (2009: £0.7m).

22 Lease commitments

The Group leases certain property, plant and equipment under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. At 31 December the total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	Land & buildings 2010 £m	Other 2010 £m	Land & buildings 2009 £m	Other 2009 £m
Within one year	**48.6**	**25.5**	47.1	21.3
Between one and five years	**133.0**	**34.1**	127.6	36.3
After five years	**68.8**	**3.2**	77.6	1.5
	250.4	**62.8**	252.3	59.1
Total of future minimum sublease income under non-cancellable subleases	**(0.8)**	**–**	(0.3)	–

23 Cash and cash equivalents and net debt

	2010 £m	2009 £m
Cash at bank and in hand	**57.4**	47.2
Short term deposits repayable in less than three months	**26.5**	10.7
Cash and deposits	**83.9**	57.9
Bank overdrafts	**(9.0)**	(14.9)
Cash and cash equivalents	**74.9**	43.0
Current liabilities	**(126.2)**	(7.7)
Non-current liabilities	**(691.5)**	(780.3)
Derivative assets – fair value of interest rate swaps on fixed interest rate borrowings	**26.0**	28.2
Interest bearing loans and borrowings	**(791.7)**	(759.8)
Net debt	**(716.8)**	(716.8)

Movement in net debt	2010 £m	2009 £m
Beginning of year	**(716.8)**	(870.7)
Net cash inflow	**9.7**	126.3
Realised gains/(losses) on foreign exchange contracts	**5.3**	(7.3)
Currency translation	**(15.0)**	34.9
End of year	**(716.8)**	(716.8)

24 Acquisitions

2010

The principal acquisitions made in the year ended 31 December 2010 were Clean Care, Hamo, Weita, Silco, Juba, Global Net, A.M. Supply, Cool-Pak and Van't Veer Verpakkingen.

Clean Care, a business principally engaged in the supply of cleaning and hygiene consumable products in Denmark, was acquired on 15 January 2010. Hamo, a distributor of catering disposables and light catering equipment to customers in both the public and private sectors, was acquired on 12 February 2010. Weita, a supplier of cleaning and hygiene, foodservice, retail, healthcare and safety consumables products to both end users and redistributors in Switzerland, was acquired on 12 March 2010. Silco, a supplier of foodservice disposables in Israel, was acquired on 21 April 2010. Juba, a supplier of personal protection equipment to redistributors throughout Spain, was acquired on 27 May 2010. Global Net, which sells cleaning and hygiene consumables and equipment to contract cleaners, local authorities and other industrial customers throughout the Walloon region of Belgium, was acquired on 1 July 2010. A.M. Supply, which supplies personal protection equipment to the oil and petrochemical sector in the state of Rio de Janeiro in Brazil, was acquired on 26 August 2010. Cool-Pak, a leading distributor of plastic and pulp packaging to fruit and vegetable growers in the US, was acquired on 30 August 2010. Van't Veer Verpakkingen, a business supplying cleaning and hygiene and catering disposable products in the Netherlands predominantly to the healthcare sector, was acquired on 1 October 2010.

Acquisitions have been accounted for under the purchase method of accounting, involving the purchase of 100% of the acquiree's share capital or, as the case may be, all of the relevant assets of the businesses acquired. Part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. As at 31 December 2010, the allocation period for all acquisitions completed since 1 January 2010 remained open and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date. To date the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects. The net impact from these adjustments on acquired net assets reported in the Group's 2010 statutory accounts was £nil.

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the continued employment of former owners of businesses acquired. IFRS 3 requires that any such payments that are contingent on future employment are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. The acquisitions provide opportunities for further development of the Group's activities and create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill.

24 Acquisitions continued

A summary of the effect of acquisitions is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of assets acquired £m
Intangible assets		51.5	51.5
Property, plant and equipment	18.3	(0.4)	17.9
Inventories	23.3	(4.4)	18.9
Trade and other receivables	26.1	(0.7)	25.4
Trade and other payables	(16.4)	(1.6)	(18.0)
Net bank overdrafts	(6.2)		(6.2)
Provisions for liabilities and charges		(3.1)	(3.1)
Tax and deferred tax	(3.0)	(13.1)	(16.1)
	42.1	28.2	70.3
Goodwill			34.5
Consideration			104.8
Satisfied by:			
cash consideration			97.2
deferred consideration			7.6
			104.8
Contingent payments to former owners			9.7
Net bank overdrafts acquired			6.2
Transaction costs and expenses			5.5
Total expected spend in respect of current year acquisitions			**126.2**

The net cash outflow in the year in respect of acquisitions comprised:	
Cash consideration	97.2
Net bank overdrafts acquired	6.2
Deferred consideration in respect of prior year acquisitions	1.6
Net cash outflow in respect of acquisitions	105.0
Acquisition related costs	5.6
Total cash outflow in respect of acquisitions	**110.6**

Acquisitions made in the year ended 31 December 2010 contributed £84.4m to the Group's revenue and £9.9m to the Group's operating profit before intangible amortisation and acquisition related costs.

The estimated contributions of acquired businesses to the results of the Group, as if the acquisitions had been made at the beginning of the year, are as follows:

	£m
Revenue	153.6
Operating profit before intangible amortisation and acquisition related costs	17.8

2009

The principal acquisitions made during the year ended 31 December 2009 were Industrial Supplies, a distributor of cleaning and hygiene products throughout the east of England, and W.K. Thomas, a distributor of foodservice products to the catering and airline sectors within the UK, both acquired on 19 March 2009. The net cash outflow in respect of acquisitions made in 2009 was £6.4m.

25 Related party disclosures

The Group has identified the directors of the Company, the Group pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 20 and Note 21 respectively.

26 Principal subsidiary undertakings

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Do Brasil Participacoes Ltda	Brazil
Bunzl Finance plc*	England & Wales
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England & Wales
Bunzl USA Holdings Corporation	USA

*Direct subsidiary undertaking of Bunzl plc.

The companies named above are the principal subsidiary undertakings of Bunzl plc at 31 December 2010, which are wholly owned, and are included in the consolidated financial statements of the Group. The investments in these companies, as shown above, relate to ordinary shares, quotas or common stock. The principal country in which each company operates is the country of incorporation. The principal activities of the Group are reviewed in the Chief Executive's review. A full list of the Group's subsidiary undertakings will be annexed to the next annual return filed at Companies House.

COMPANY BALANCE SHEET
at 31 December 2010

	Notes	**2010 £m**	2009 £m
Fixed assets			
Tangible fixed assets	3	**0.7**	0.7
Investments	4	**657.7**	655.4
		658.4	656.1
Current assets			
Debtors	5	**451.0**	287.7
Cash at bank and in hand		**0.1**	0.1
		451.1	287.8
Current liabilities			
Creditors: amounts falling due within one year	6	**(105.3)**	(103.4)
Net current assets		**345.8**	184.4
Total assets less current liabilities		**1,004.2**	840.5
Provisions	7	**(4.6)**	(6.6)
Net assets		**999.6**	833.9
Capital and reserves			
Called up share capital	8	**113.3**	113.0
Share premium account	10	**133.9**	131.7
Other reserves	10	**5.6**	5.6
Capital redemption reserve	10	**8.6**	8.6
Profit and loss account	10	**738.2**	575.0
Shareholders' funds		**999.6**	833.9

Approved by the Board of Directors of Bunzl plc (Company registration number 358948) on 28 February 2011 and signed on its behalf by Mr M J Roney, Chief Executive and Mr B M May, Finance Director.

The Accounting policies and Notes on pages 75 to 81 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements of Bunzl plc ('the Company') have been prepared on a going concern basis and under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and UK GAAP.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company has taken advantage of the exemption in Financial Reporting Standard ('FRS') 29 (IFRS 7) 'Financial Instruments: Disclosures' because the published consolidated financial statements of the Group include disclosures that comply with the Standard.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

2 Accounting policies

a Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less any provision for impairment.

b Investment in own shares

The cost of shares held either directly (treasury shares) or indirectly (employee benefit trust shares) is deducted from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is recognised in retained earnings.

c Share based payments

The Company operates equity settled share based compensation plans for which the total expected expense is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity. The amount recognised as an expense is adjusted to reflect the actual number of options that are expected to vest. Details of the relevant plans are outlined in Note 16 to the consolidated financial statements. Where the Company grants options over its own shares to the employees of its subsidiaries these awards are accounted for by the Company as an additional investment in the relevant subsidiary equivalent to the equity settled share based payment charge recognised in the consolidated financial statements with the corresponding credit recognised directly in equity. Any payment made by the subsidiaries in respect of these arrangements is treated as a return of this investment. These costs are determined in accordance with FRS 20 'Share-based Payment'.

d Tangible fixed assets

Until 31 December 1999 land and buildings were revalued periodically. As permitted under FRS 15 'Tangible Fixed Assets', the valuations of land and buildings have not been and will not be updated. All other tangible fixed assets are included at historical cost, less accumulated depreciation. The profit or loss on sale of tangible fixed assets is calculated by reference to the carrying values of the assets. The carrying values of tangible fixed assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

e Depreciation

Depreciation is provided on a straight line basis to write off cost less estimated residual value over the assets' estimated remaining useful lives. This is applied at the following annual rates:

Buildings	2% (or depreciated over life of lease if shorter than 50 years)
Fixtures, fittings and equipment	10 – 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

f Leases

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight line basis over the term of the relevant lease. Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings due to the indefinite life of land.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

2 Accounting policies continued

g Tax

The charge for tax is based on the profit or loss for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred Tax'.

h Pensions

The Company participates in a Group UK defined benefit scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of scheme assets and liabilities on a consistent and reasonable basis, the Company treats contributions to defined benefit schemes as if they were contributions to a defined contribution scheme in accordance with the exemptions permitted by FRS 17 'Retirement Benefits'. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the relevant accounting period.

i Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

j Dividends

The interim dividend is included in the financial statements in the period in which it is paid and the final dividend in the period in which it is approved by shareholders at the Annual General Meeting.

3 Tangible fixed assets

	Short leasehold £m	Fixtures, fittings and equipment £m	Total £m
Cost			
Beginning of year	0.4	2.5	2.9
Additions	–	0.1	0.1
End of year	0.4	2.6	3.0
Depreciation			
Beginning of year	0.3	1.9	2.2
Charge in year	–	0.1	0.1
End of year	0.3	2.0	2.3
Net book value at 31 December 2010	**0.1**	**0.6**	**0.7**
Net book value at 31 December 2009	0.1	0.6	0.7

4 Investments held as fixed assets

	Investments in subsidiary undertakings £m
Cost	
Beginning of year	701.0
Additions	2.3
End of year	**703.3**
Impairment provisions	
Beginning and end of year	**45.6**
Net book value at 31 December 2010	**657.7**
Net book value at 31 December 2009	655.4

The principal companies in which the Company's interest at 31 December 2010 is more than 20% are as follows:

	Country of incorporation
Bunzl Australasia Ltd	Australia
Bunzl Do Brasil Participacoes Ltda	Brazil
Bunzl Finance plc*	England & Wales
Bunzl Holding Danmark A/S	Denmark
Bunzl Holding GmbH	Germany
Bunzl Holdings France SAS	France
Bunzl Outsourcing Services BV	Netherlands
Bunzl UK Ltd	England & Wales
Bunzl USA Holdings Corporation	USA

*Direct subsidiary undertaking of Bunzl plc.

5 Debtors

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	**429.9**	268.0
Prepayments and other debtors	**7.4**	7.3
Corporation tax	**9.6**	7.9
Deferred tax	**4.1**	4.5
	451.0	287.7

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

6 Creditors: amounts falling due within one year

	2010 £m	2009 £m
Trade creditors	**0.4**	0.4
Amounts owed to subsidiary undertakings	**100.0**	99.4
Accruals and deferred income	**4.9**	3.6
	105.3	103.4

7 Provisions

Movements	2010 £m	2009 £m
Beginning of year	**6.6**	6.4
Charge	**–**	0.4
Utilised	**(2.0)**	(0.2)
End of year	**4.6**	6.6

The provisions relate to properties and include vacant properties where amounts are held against liabilities for onerous lease commitments, repairs and dilapidations. These provisions cover the relevant period of the lease agreements, up to the earliest possible termination date, which typically extend from one to 10 years.

8 Share capital and share based payments

	2010 £m	2009 £m
Issued and fully paid ordinary shares of 32$\frac{1}{7}$p each	**113.3**	113.0

Number of ordinary shares in issue and fully paid		
Beginning of year	**351,509,328**	350,397,756
Issued – scrip dividend	**498,486**	705,554
– option exercises	**512,344**	406,018
End of year	**352,520,158**	351,509,328

The Company operates a number of share plans, for the benefit of employees of the Company and its subsidiaries relating to the acquisition of shares in the Company, which are described in Note 16 to the consolidated financial statements.

8 Share capital and share based payments continued

FRS 20 disclosures

Options granted to employees of the Company during the year have been valued using a stochastic model. The fair value per option granted during the year and the assumptions used in the calculations are as follows:

	2010	2009
Grant date	**25.02.10–08.10.10**	26.02.09–02.10.09
Share price at grant date (£)	**6.69–7.61**	4.92–6.22
Exercise price (£)	**nil–7.46**	nil–5.85
Options granted during the year (shares)	**777,465**	917,160
Vesting period (years)	**3–5**	3–5
Expected volatility (%)	**21–25**	21–25
Option life (years)	**3–10**	3–10
Expected life (years)	**3.0–6.0**	3.0–6.0
Risk free rate of return (%)	**0.9–3.0**	1.8–2.7
Expected dividends expressed as a dividend yield (%)	**2.9–3.2**	3.4–4.2
Fair value per option (£)	**0.59–2.78**	0.37–2.21

The expected volatility is based on historical volatility over the last three to five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The weighted average share price for options exercised by employees of the Company during the year was £7.34 (2009: £5.76). The total Company charge for the year relating to share based payments was £1.0m (2009: £1.4m).

Details of share options and awards to employees of the Company which have been granted and exercised, those which have lapsed during 2010 and those outstanding and available to exercise at 31 December 2010, in each case in respect of all options and awards, whether over new issue or market purchase shares, under the Sharesave Scheme, 1994 Executive Share Option Scheme and the Long Term Incentive Plan Part A and Part B are set out in the following table:

	Options outstanding at 01.01.10	Grants/awards 2010		Exercises 2010		Lapses* 2010	Options outstanding at 31.12.10		Options available to exercise at 31.12.10
	Number	Number	Price (p)	Number	Price (p)	Number	Number	Price (p)	Number
Sharesave Scheme	70,599	16,589	542	14,902	437–529	14,034	58,252	452–578	–
1994 Scheme	202,278	–	–	194,278	446–482	–	8,000	446	8,000
LTIP Part A	2,226,545	479,500	677–746	127,393	500–700	60,000	2,518,652	429–746	1,053,652
LTIP Part B	936,165	281,376	nil	161,185	nil	68,354	988,002	nil	–
	3,435,587	**777,465**		**497,758**		**142,388**	**3,572,906**		**1,061,652**

*Share option lapses relate to those which have either been forfeited or have expired during the year.

	Weighted average fair value of options granted (£)	Weighted average remaining contractual life (years)
Sharesave Scheme	0.97	3.05
LTIP Part A	0.66	2.46
LTIP Part B	2.61	2.51

The outstanding options and awards are exercisable at various dates up to September 2020.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

9 Dividends

	2010 **£m**	2009 £m
2008 interim		20.6
2008 final		45.3
2009 interim	**21.4**	
2009 final	**48.2**	
Total	**69.6**	65.9

Total dividends per share for the year to which they relate are:

	Per share	
	2010	2009
Interim	**7.15p**	6.65p
Final	**16.20p**	14.90p
Total	**23.35p**	21.55p

The 2010 interim dividend of 7.15p per share was paid on 4 January 2011 and comprised £16.6m of cash and 0.9m of scrip shares. The 2010 final dividend of 16.2p per share will be paid on 1 July 2011 to shareholders on the register at the close of business on 13 May 2011.

10 Capital and reserves

					Profit and loss account		
	Share capital £m	Share premium account £m	Other reserves £m	Capital redemption reserve £m	Own shares £m	Retained earnings £m	Total £m
At 1 January 2010	113.0	131.7	5.6	8.6	(213.0)	788.0	833.9
Issue of share capital	0.3	2.2					2.5
Employee trust shares					13.5		13.5
Share based payments						3.3	3.3
Profit for the year						212.5	212.5
2009 interim dividend						(20.2)	(20.2)
2009 final dividend						(45.9)	(45.9)
At 31 December 2010	**113.3**	**133.9**	**5.6**	**8.6**	**(199.5)**	**937.7**	**999.6**

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Included within own shares are ordinary shares of the Company held by the Group in an employee benefit trust. The principal purpose of this trust is to hold shares in the Company for subsequent transfer to certain senior employees and executive directors relating to options granted and awards made in respect of market purchase shares under the Long Term Incentive Plan, the Deferred Annual Share Bonus Scheme and the 1994 Executive Share Option Scheme. Details of such plans are set out in Note 16 to the consolidated financial statements and the Directors' remuneration report. The assets, liabilities and expenditure of the trust have been incorporated in the consolidated financial statements. Finance costs and administration charges are included in the income statement on an accruals basis. At 31 December 2010 the trust held 3,995,293 (2009: 6,502,865) shares, upon which dividends have been waived, with an aggregate nominal value of £1.3m (2009: £2.1m) and market value of £28.7m (2009: £43.9m). At 31 December 2010, 23,325,000 (2009: 23,325,000) shares with an aggregate nominal value of £7.5m (2009: £7.5m) and market value of £167.7m (2009: £157.4m) were held in treasury.

11 Reconciliation of movement in shareholders' funds

	2010 £m	2009 £m
Profit for the year	**212.5**	189.0
Dividends	**(66.1)**	(65.9)
	146.4	123.1
Issue of share capital	**2.5**	5.5
Employee trust shares	**13.5**	2.8
Share based payments	**3.3**	4.9
Net increase in shareholders' funds	**165.7**	136.3
Opening shareholders' funds	**833.9**	697.6
Closing shareholders' funds	**999.6**	833.9

The Company had no recognised gains or losses in the year ended 31 December 2010 or the year ended 31 December 2009 other than its profit for the relevant year.

12 Contingent liabilities

Borrowings by subsidiary undertakings totalling £760.2m (2009: £743.5m) which are included in the Group's borrowings have been guaranteed by the Company.

13 Directors' remuneration

The remuneration of the directors of the Company is disclosed in Note 21 to the consolidated financial statements and the Directors' remuneration report.

14 Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year was 42 (2009: 43).

The aggregate employee costs relating to these persons were:

	2010 £m	2009 £m
Wages and salaries	**7.0**	6.6
Social security costs	**1.1**	1.0
Share based payments	**1.0**	1.4
Pension costs	**0.7**	0.6
	9.8	9.6

15 Related party disclosures

The Company has identified the directors of the Company, the UK pension scheme and its key management as related parties for the purpose of FRS 8 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report, Note 20 of the consolidated financial statements and Note 21 of the consolidated financial statements respectively.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK GAAP and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing both the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations. As explained in the Directors' report, certain information included in the Annual Report and financial statements is incorporated by reference into the Directors' report.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Annual Report and financial statements comply with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

We confirm on behalf of the Board that to the best of our knowledge:

- the Group and parent company financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and financial statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

M J Roney
Chief Executive
28 February 2011

B M May
Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUNZL PLC

We have audited the financial statements of Bunzl plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of directors' responsibilities set out on page 82, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 25, in relation to going concern;
- the part of the Corporate governance statement on pages 29 to 31 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the Directors' remuneration report.

D V Matthews (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London
28 February 2011

FIVE YEAR REVIEW

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue	**4,829.6**	4,648.7	4,177.3	3,581.9	3,333.2
Operating profit before intangible amortisation and acquisition related costs	**306.7**	295.7	280.5	242.9	226.3
Intangible amortisation and acquisition related costs	**(51.0)**	(41.8)	(36.0)	(24.4)	(19.9)
Operating profit	**255.7**	253.9	244.5	218.5	206.4
Finance income	**20.3**	16.8	27.6	21.1	19.6
Finance cost	**(50.8)**	(54.7)	(65.2)	(48.5)	(36.3)
Profit before income tax	**225.2**	216.0	206.9	191.1	189.7
Profit before income tax, intangible amortisation and acquisition related costs	**276.2**	257.8	242.9	215.5	209.6
Income tax	**(66.2)**	(67.1)	(64.7)	(61.0)	(60.3)
Profit for the year	**159.0**	148.9	142.2	130.1	129.4
Basic earnings per share	**49.1p**	46.4p	44.5p	39.8p	37.8p
Adjusted earnings per share	**60.6p**	55.9p	52.7p	45.1p	41.7p

SHAREHOLDER INFORMATION

Financial calendar	2011
Annual General Meeting	20 April
Results for the half year to 30 June 2011	30 August

	2012
Results for the year to 31 December 2011	February
Annual Report circulated	March

Dividend payments are normally made on these dates:

Ordinary shares (final)	1 July
Ordinary shares (interim)	2 January

Analysis of ordinary shareholders

At 31 December 2010 the Company had 5,761 (2009: 6,189) shareholders who held 352.5 million (2009: 351.5 million) ordinary shares (including treasury shares) between them, analysed as follows:

Size of holding	Number of shareholders	% of issued share capital
0 – 10,000	5,166	2
10,001 – 100,000	323	3
100,001 – 500,000	168	11
500,001 – 1,000,000	49	10
1,000,001 and over	55	74
	5,761	100

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Telephone 0870 889 3257
Fax 0870 703 6101
Website www.computershare.com

Investor centre

Shareholders can manage their shareholding online at www.investorcentre.co.uk. The Investor centre is our Registrar's easy to use website, available 24 hours a day, 7 days a week, where the following services are available:

- change of address;
- view share balance information; and
- view dividend payment and tax information.

In order to register for the Investor centre, shareholders will need their shareholder reference number which can be found on either their share certificate or dividend tax voucher.

Dividend payment by BACS

Shareholders can have their dividends paid directly into their bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that dividends will be in the account on the same day the dividend payment is made. Shareholders will receive their tax vouchers by post. To use this method of payment please contact our Registrar on 0870 889 3257 or visit the Investor centre website. Please note that this option will not override any existing dividend scheme mandate, which would need to be revoked in writing.

Share dealing

Bunzl plc shares can be traded through most banks and stockbrokers. The Company's Registrar also offers an internet and telephone dealing service. Further details can be found at www.computershare.com/dealing/uk or by telephoning 0870 703 0084.

ShareGift

Sometimes shareholders have only a small holding of shares which may be uneconomical to sell. Shareholders who wish to donate these shares to charity can do so through ShareGift, an independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from ShareGift on 020 7930 3737 or at www.sharegift.org.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice, offers to buy shares at a discount or offers of free company reports. More detailed information about this can be found at www.moneymadeclear.fsa.gov.uk. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Auditor

KPMG Audit Plc

Stockbrokers

J.P. Morgan Cazenove
Citigroup

Company Secretary

P N Hussey

Registered office

York House
45 Seymour Street
London W1H 7JT
Telephone 020 7725 5000
Fax 020 7725 5001

Website www.bunzl.com
Registered in England no. 358948

Forward looking statements

The Annual Report contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

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BUNZL

York House
45 Seymour Street
London W1H 7JT

T 020 7725 5000
F 020 7725 5001
www.bunzl.com